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North Dakota Cooperatives **COORDINATE TRANSPORTATION** *for Economy and Service*

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Part of a study made under Research and Marketing Act Project,
"Improvement of Marketing Methods, Facilities and Equipment."

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Errata Sheet

Page 20, line 16 - the reference "form 4" should be "form 5."

Page 27, line 8 - the reference "Appendix D" should be "Appendix C."

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SUMMARY AND CONCLUSIONS

The farmers Union Federated Cooperative Shipping Association of Minot, N. Dak., has done an excellent job in serving its farmer patrons with a coordinated two-way haul transportation program. From its organization in 1937, it has steadily improved its operating efficiency.

This cooperative has achieved the following results:

1. It has developed an adequate, efficient, and dependable transportation service for its farmer patrons. It is ready to serve its members with up-to-date equipment and competent personnel. It has gained a reputation for efficient transportation service. Its members rely on the dependability and dispatch with which their farm products and supplies are handled. Through dependability and efficiency, it inspired confidence, which in turn resulted in increased patronage.
2. Additional services have been rendered, such as picking up and assembling livestock. This has resulted in the small shipper being able to take advantage of carload and truckload rates. The cost per unit shipped has been reduced, with such saving accruing to the farmer patron in the form of patronage refunds.
3. Discrimination between large and small shippers has been eliminated. The same service is given the farmer or association with one unit for shipment as the large shipper of carload lots. This was one of the basic needs of the area which led to the formation of this federated cooperative. This cooperative, through its assembly service, now gives the farmer the benefit of the market price, regardless of size of shipment. Filling that need has been a major achievement.
4. Transportation costs to its patrons have been reduced. By charging the current level of rates, the Federated has realized sizeable savings for its members over its actual costs of operation. In addition, all patrons have the advantage of carload rates. Such savings have enabled the farmer to keep a greater share of the marketing dollar.
5. Prompt payment is made for livestock killed or injured in transit. By using a sinking fund, an adequate reserve is maintained for such contingencies. When losses do occur, payment is made immediately without the need for filing a loss and damage claim.
6. Time is saved in transit as trucks average 19 hours for the trip to the South St. Paul livestock market compared with 48 hours by rail. This has reduced livestock shrinkage and eliminated some of the gamble from shifting market prices.
7. "Personalized" service is rendered patrons. In other words the farmer, consignor, or consignee retains his individual identity. The Federated's operations are not so extensive but that it can keep the personal interests of its farmer-members and patrons in the

foreground. Service "extras," not ordinarily provided by a carrier, are furnished. Such services include feeding, watering, and bedding livestock during assembly, providing farmers with livestock market quotations, and more careful handling of commodities transported.

8. The cooperative takes over the details of marketing for the farmer. The Federated handles all accounting, marketing, and transportation details from the time the livestock is picked up at the farms until the farmer receives the proceeds of the sales.
9. Local member and patron cooperatives have been welded closer together by the activities of the Federated Cooperative Shipping Association. The farmer-patrons have realized the benefits derived through cooperatively assembling and transporting livestock. The local member and patron cooperatives also have realized benefits through the back haul transportation of farm supplies and the distribution of small shipments to the final destination. The patrons realize that without their mutual cooperation and patronage such service and savings would not be possible.

These achievements have been realized through the initial adoption of sound operating principles and steadily improving operating efficiency through:

1. Expanding volume
2. Standardizing operating forms
3. Improving facilities and equipment
4. Extending membership coverage and area served
5. Developing membership loyalty
6. Increasing financial stability
7. Employing trained personnel
8. Coordinating facilities and services
9. Building a reputation for honesty and integrity
10. Careful handling of farm products and supplies
11. Maximum utilization of equipment through the two-way haul
12. Retaining identity as a service organization

NORTH DAKOTA COOPERATIVES COORDINATE TRANSPORTATION FOR ECONOMY AND SERVICE

By

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Transportation charges on agricultural products have increased approximately 50 percent since July 1, 1946, with additional increases anticipated. These increased costs represent an important part of the total expense of marketing agricultural commodities and distributing farm production supplies. To provide agricultural producers with a dependable transportation service at cost, farmer cooperatives in several West North Central States have developed coordinated transportation programs.

This preliminary report, prepared in connection with a project being conducted under the Research and Marketing Act of 1946, is a study of benefits realized from such a program. The Farmers Union Federated Cooperative Shipping Association of Minot, N. Dak., a cooperative trucking association, was selected as a representative organization to study to determine the economies and services realized through coordinated transportation plans.

The officials and employees of the shipping association, the Farmers Union Central Exchange, and the Farmers Union Livestock Association of South St. Paul, Minn., were interviewed. The information obtained was used to describe and analyze the growth and development of the Farmers Union Federated Cooperative Shipping Association; the plan of operation; the economies realized through operation; the services rendered; the legal status; the present organizational structure; and to suggest how operating efficiency and services might be improved.

BACKGROUND AND NEED FOR ASSOCIATION

The often quoted proverb "Necessity is the mother of invention," aptly applied to the situation confronting farmers and handlers of farm production supplies in the Minot, N. Dak., area before 1937. The need for a coordinated transportation program was apparent, but the remedy had yet to be discovered.

The Farmers Union Federated Cooperative Shipping Association of Minot, a coordinated cooperative transportation organization, was organized in 1937. The conditions which undoubtedly influenced its formation were the background of cooperation in the area, size and density of farms, livestock population, type of agriculture, potential back haul volume, and general operational and topographical problems peculiar to the area.

The majority of the farmers in this area are of Swedish or Norwegian descent. These farmers, truly cooperative minded, have patronized their

cooperatives faithfully throughout the years. Their cooperative elevators provide grain storage and marketing, and their cooperative oil and supply associations furnish supply service. In fact, these farmers, in meeting their marketing and purchasing problems, have always turned to cooperation.

Naturally, when farmers needed a more efficient and economical transportation service, they turned to cooperation. With the principal source of cash farm income from marketing meat animals, the livestock population in the region was large enough to warrant a livestock shipping association. Livestock in the area to be served in 1935 totaled¹ 167,030 cattle and calves; 24,925 hogs and pigs; and 74,761 sheep and lambs.

The livestock haulers in the Minot and surrounding area might have served the area efficiently if they had coordinated their assembling and hauling with the farmers' needs. But they did not. For instance, if a farmer had only one head of livestock ready for market, the local trucker was reluctant to make a special trip to the farm. Through his inability to coordinate the assembling of livestock, the trucker was unable to make such transportation service profitable.

The area, served by two railroads, had an average railroad time from Minot to South St. Paul of 48 hours. Most livestock, because of lack of pick-up service, was shipped by rail. Consequently, there was no incentive for new truckers to operate in the area.

Farmers needed a more flexible transportation set-up with a possibility of cutting down costs. Through a good assembling system, carload rates would apply to each farmer's shipment regardless of how small this might be. By using through truck service from farm to market, time in transit could be reduced with a resultant decrease in shrinkage. At first, the one-way haul was a problem. The cooperative realized that running idle equipment back, a distance of 537 miles from the South St. Paul livestock market, would defeat one aim of such an organization - economy.

The solution, however, was relatively simple. Several cooperative associations were operating in the Minot area, including oil, elevator, and farm supply cooperatives. Supplies for these associations came from the Twin Cities by rail. Farmers and local farmer cooperatives asked themselves why the same trucks that carried livestock to market couldn't bring back farm supplies. It was to their mutual advantage to form an organization to provide such services as well as assembling, marketing, and distribution.

The combination of these various factors has led to the Federated meeting satisfactorily the needs of its members and patrons. By adhering to these principles, its services improved year after year. Additional achievements will be realized as the volume of business handled and the area serve expand.

¹1935 U. S. Census of Agriculture. For a breakdown of livestock population by counties, in 1935, see table 3, page 11.

ORGANIZATION AND OPERATION

In 1937, farmers formed a local livestock trucking cooperative. Its equipment numbered one semi-trailer and one pick-up truck. It confined its operations to a small area around Minot where it hauled local livestock to the railroad yards. It was conceived, primarily, for the purpose of picking up and assembling livestock into carload lots for rail shipments to market.

This cooperative occasionally hauled a semi-truck load direct to the market at South St. Paul. This was a costly operation because of insufficient back hauls. Operating on a one-way haul basis did not pay.

FEDERATION FORMED

That same year, the Farmers Union Oil Company and the Minot Cooperative Elevator Company formed an organization to purchase the equipment and good will of the local trucking cooperative. It made a down payment of \$500, with the balance of the purchase price to be paid off out of savings made in operating the units.

This new organization became a federation of associations named "Farmers Union Federated Cooperative Shipping Association."² It had eight members and seven patrons. The member associations were:

- Farmers Union Central Exchange, South St. Paul, Minn..
- Farmers Union Oil Company, Minot, N. Dak.
- Farmers Union Oil Company, Carpio, N. Dak.
- Farmers Union Livestock Association, Minot, N. Dak.
- Velva Livestock Shipping Association, Velva, N. Dak.
- Minot Cooperative Elevator Company, Minot, N. Dak.
- Farmers Union Cooperative Association, Williston, N. Dak.
- Farmers Union Oil Company, Velva, N. Dak.

The purpose of the Federated as set forth in its articles of incorporation is:

"To promote, foster, and encourage the intelligent and orderly marketing of agricultural products through cooperation and to eliminate speculation and waste; and to make the distribution of agricultural products as direct as can be efficiently done between producer and consumer; and to stabilize the marketing of agricultural products. This association is not organized for profit."

It was incorporated under the laws of the State of North Dakota. Copies of the bylaws and articles of incorporation are shown in appendix A.

²In this report, the Farmers Union Federated Cooperative Shipping Association will be referred to as the "Federated."

OPERATING PLAN

The operating plan of the Federated as set forth in its articles of incorporation follows:

"The general nature of the business to be carried on by this association shall be to market, transport, and handle livestock and farm products, to obtain the best prices for the individual producers thereof, and to transport and distribute farm supplies through farmer cooperative associations so that such equipment and supplies may be available to farmers at the lowest possible cost. The association shall have authority to grade and market agricultural products on a basis to secure the largest return for members and patrons.

"The association also may transport for its members and patrons agricultural machinery, coal, lumber, feed, including commercial feed, twine, and other merchandise as is generally used by farmers, such commodities to be transported for members and patrons on the basis of necessary operating expenses."

The Farmers Union Livestock Association of Minot, a member association, was the source of livestock for the haul to market. The Federated furnished the pick-up and assembling service for the local as well as the transportation to market. Its chances for an increased back haul volume over that of the old local association also had greatly increased. Numbered among its member associations were several farm supply cooperatives. Supplies for such cooperatives were obtained, primarily, from the Farmers Union Central Exchange at South St. Paul.

The next step was developing a coordinated two-way haul arrangement, a plan greatly facilitated when the Central Exchange established a branch warehouse in Minot. The Federated and the Exchange, in working out a coordinated hauling schedule, provided for a back haul of farm supplies before dispatching a truckload of livestock to the South St. Paul market. Coordinated two-way hauling became their operating policy.

LEGAL STATUS ESTABLISHED

An important step in the organization and plan of operation of the Federated was establishing its legal status. It was necessary to know the exemptions accorded a farmer cooperative engaged in hauling farm produce and farm supplies in intrastate and interstate commerce.

Exemption in North Dakota Intrastate Traffic

During its early years, the Federated operated under the exemption provided under Chapter 49-18, North Dakota Code, as stated in the North Dakota "Laws, Rules, and Regulations governing Commercial Motor Transportation" which exempts:

"Any association of farmers owning or controlling a motor vehicle transporting for its farmer members agricultural commodities

of all kinds, livestock and farm supplies from the farms where such commodities are produced, grown, or processed to the market, village, or place where such commodities are sold, stored, or otherwise disposed of, and the transportation of such commodities from the market, village, or place where the same are purchased or acquired to the farms where the same are to be used, consumed, or processed."

Although, originally, it was held that the Federated qualified for exemption under the foregoing language and, therefore, was not required to obtain a certificate of public convenience and necessity for its intrastate operation, in 1948, a question was raised regarding its right to operate without such certificate. The Federated then applied for and was granted a certificate giving it the status of a common carrier in its intrastate operation only.

Intrastate traffic consists only of traffic having its origin, destination, and entire transportation within the same State. In the case of the Federated, such traffic would consist only of distributing farm supplies where the movement of such supplies originated at the Minot warehouse and were destined to points in the State of North Dakota.

The picking up and assembling of livestock for hauling to South St. Paul does not constitute an intrastate shipment as it is a part of an interstate movement.

Exemption in Interstate Commerce

The Federal Motor Carrier Act, 1935, as amended, provided "Nothing in this part, except the provisions of section 204 relative to qualifications and maximum hours of service of employees and safety of operation or standards of equipment, shall be construed to include *** (4b) motor vehicles controlled and operated by a cooperative association as defined in the Agricultural Marketing Act, approved June 15, 1929, ***." Although a cooperative association, as defined in the Agricultural Marketing Act, as amended, by reason of the language just quoted, is relieved of the necessity for obtaining a certificate of public convenience and necessity, a permit, or a license, other provisions, relative to qualifications and maximum hours of service of employees and safety of operation and standards of equipment are applicable to cooperative associations operating motor vehicles in interstate or foreign commerce as defined in section 203 (a) (10) and (11), respectively, of that act.

The Interstate Commerce Commission instituted an action against the Jamestown Farmers Union Federated Cooperative Transportation Association (Interstate Commerce Commission vs. Jamestown Farmers Union Federated Cooperative Transportation Association, 57 F. Supp. 749, affirmed in 151 Fed. 2nd 403 on October 23, 1945) alleging that the Jamestown Federated was not qualified to operate without a certificate of public convenience and necessity.

The court held that the Jamestown Federated was a cooperative within the meaning of the Agricultural Marketing Act and, therefore, was not required

to have a certificate. The proceeding was submitted on a stipulation of facts and it was brought out that approximately 3 to 14 percent of the merchandise transported to member associations was sold to persons who were not farmers. An excerpt of the case is shown in appendix B, page 45.

Court Decisions Clarify Exemption

The favorable court decisions in the Jamestown case clarify the position of federated cooperative transportation associations. The courts specifically held that in order to qualify for the limited exemption provided for in the Federal Motor Carrier Act, a federated cooperative association was not required to haul commodities from farms to market and from a market to farms but could haul from the local stores of its cooperative members to market and from market to such local stores.

As a result of these court decisions, cooperatives have formed a number of other transportation and shipping associations. They are successfully operating in North Dakota, as well as in South Dakota, Minnesota, Montana, Iowa, Nebraska, and other nearby States.

In addition, the Federal Motor Carrier Act has been revised to January 1, 1946, and now includes exemption under section 203 (b) (5) to include; "*** federations of such cooperative associations, if such federation possesses no greater powers or purposes than cooperative associations so defined."

EXPERIENCE AND GROWTH

PREWAR PERIOD (1937-41)

In the 1937-41 "trial and error" period, there was little marked expansion of business or facilities. For instance, in 1940, the total assets amounted to only \$2,665. However, something of greater value had been gained, namely, experience. This experimental period was the foundation on which the Federated has built and prospered. Through trial and error, sound business practices and plans were formulated, which withstood the test and were used as the springboard for future expansion.

During the first years of operation, the Federated had many difficulties. Livestock became mixed due to improper means of identification. It lost time from lack of proper coordination of assembling services. It experienced difficulties in the two-way haul - in coordinating inbound movements of livestock with outbound movements of farm supplies. Operational hardships, lack of available trucks and personnel, were encountered, making it difficult to meet pick-up schedules.

Such experiences, while somewhat discouraging, had advantages which soon outweighed the disadvantages. Within a few months, the Federated had ironed out its major difficulties and was well on its way to rendering a much-needed service to its farmer-members.

The Federated reduced the time spent in transit, a major difficulty. The average time from Minot to South St. Paul by rail was 48 hours; the Federated made the same trip in 19 hours. Farmers profited not only from less shrinkage in weight but also from increased chances of getting livestock to market on a day when prices were favorable.

Up to this time, a farmer's market outlets had been few. If he chose to sell locally, it was generally to a local trucker-buyer. The price quoted by these buyers was substantially under the prevailing market price. The trucker-buyer then hauled the livestock to South St. Paul and resold it at the higher market price. If the farmer chose to sell on the South St. Paul market, he was faced with a trucking fee from farm to Minot, plus the rail rate to destination. It was a case of choosing the lesser of two evils.

Marketing through the Federated made it possible for a farmer to take advantage of the market price at South St. Paul, plus a substantial transportation saving. A case was cited where a local buyer offered a farmer \$25 for a hog. The farmer, dissatisfied with the offer, took the hog to the Federated which marketed it for him. He received \$43 for the same animal. It was cases such as this that definitely demonstrated the need for and assured the success of the Federated. By eliminating the profit of the middleman, through establishing a cooperative transportation organization, a farmer was able to claim a greater share of the final market price of his livestock.

WAR PERIOD (1942-45)

Despite wartime transportation restrictions, the Federated expanded most rapidly during the war period. Increased farm production coupled with more efficient and dependable service enabled it to expand its membership. As volume transported increased, so, also, did the savings to its members and patrons.

From 1942 to 1945, total hauling receipts jumped from \$37,915 to \$69,546, an increase of 83 percent (table 1). Expenses increased accordingly. Direct hauling expenses increased 90 percent from \$32,249 in 1942, to \$61,318 in 1945. Total expenses, which includes direct hauling, general, administrative, and other, also increased 90 percent. Direct hauling expenses made up 93 percent of the total expenses during this 4-year period. Net operating savings, 1942-45, averaged \$3,122 a year.

High hauling expenses were attributed to several factors, foremost of which was using old equipment. Equipment could not be replaced, so it had to be retained even though costs of operation and repair were exorbitant. Competent drivers were hard to find. High wages were necessary to secure and retain such employees. Costs of operation were high due to shortages of truck parts and equipment, which resulted in units lying idle for long periods.

Railroad transportation was necessarily given greater emphasis during the period of rigid transportation controls, regulations, and rationing. An

Table 1. - Consolidated statement of hauling operations, 1942-48

	1942	1943	1944	1945	1946	1947	1948
Receipts:							
Truckloads -----	\$ 9,040	\$8,881	\$14,654	\$17,595	\$25,713	\$28,214	\$34,152
Back hauls and returns-----	13,165	12,534	19,297	22,780	31,420	42,703	56,609
Short hauls-----	1,691	2,134	1,826	3,496	2,955	3,775	4,849
Miscellaneous mileage hauls-----	(1)	961	1,424	2,450	1,656	1,136	1,730
Rail carloads-----	14,019	21,004	27,175	20,288	14,789	13,433	10,883
Truck lease-----	-	-	332	-	-	-	-
Gasoline transport -	-	-	-	2,937	5,151	3,595	-
Total receipts	37,915	45,514	64,708	69,546	81,684	92,856	108,223
Expenses:							
Direct hauling-----	32,249	40,521	56,900	61,318	75,524	82,672	88,986
General and administration-----	1,588	2,988	4,253	4,311	5,243	4,586	6,152
Other-----	503	541	11	14	395	767	915
Total expenses	34,340	44,050	61,164	65,643	81,162	88,025	96,053
Net operating savings-----	3,575	1,464	3,544	3,903	522	4,831	12,170

¹Included in short hauls.

analysis of table 1 shows rail carloads made up 37 percent of the total receipts in 1942, a high of 46 percent in 1943, 42 percent in 1944, 29 percent in 1945, and decreased to 18 percent in 1946, as restrictions and rationing were modified. Extensive use of rail transportation resulted in a sizeable decrease in truckload (to market) and back haul (from market) receipts.

POSTWAR PERIOD

During 1946, with the slackening of wartime restrictions, the Federated was able to replace some of its badly worn equipment. Tires, batteries, and mechanical parts made up the bulk of needed replacements. The amount expended for tires and batteries in 1946 increased \$1,522 over 1945 - from \$6,114 to \$7,636 (table 1). Truck repairs and supplies increased \$1,050 over 1945 - from \$9,813 to \$10,863. Depreciation on equipment almost doubled from \$3,917 in 1945 to \$6,097 in 1946. One of the major increases of the direct hauling expenses occurred in the item "Salaries and Wages" which jumped from \$21,316 in 1945 to \$26,443 in 1946, a difference of \$5,127.

General and administrative expenses also increased. Expenditures for insurance, office supplies, depreciation of office equipment, feed, and bedding, telephone, and telegraph made up the bulk of the increase. The total amounted to \$1,312, from \$4,325 in 1945 to \$5,637 in 1946. The higher direct hauling and administrative expenses resulted in a net operating savings of only \$522 for the year 1946.

In 1947, the Federated increased its net operating saving. Total hauling receipts amounted to \$92,856, with total expenses of \$88,025, leaving a net operating saving of \$4,831. An analysis of this year's operations shows the greater emphasis placed on back hauls, returns from which amounted to 151 percent of truckload (to market) receipts. A comparison with 1946 receipts shows truckloads increased 10 percent, back hauls, 36 percent, and short hauls, 28 percent. Rail carload receipts, however, decreased 9 percent. Thus, it is apparent that through greater coordination of shipments, a larger back haul volume was made available. This resulted in an added use of two-way truck operation, with a decreasing use of rail transportation.

In 1948, the Federated made the greatest net operating savings since organization. It increased its savings 152 percent over 1947, going from \$4,831 to \$12,170. It showed appreciable gains in all receipts. Truckloads increased 21 percent over 1947. Receipts from back hauls increased 33 percent over 1947. Rail carload receipts, however, decreased 19 percent. While total receipts increased 17 percent over 1947, direct hauling expenses increased only 8 percent. The decreased use of rail transportation is the result of the Federated's ability to secure additional back haul volume.

As operating conditions returned to normal during the postwar period, especially in 1947 and 1948, the Federated was able to coordinate its hauling activities to a greater degree and, thus, realize a more

substantial saving for its patrons. Receipts from back hauls have become its greatest source of revenue. As more and more local associations become members, the Federated will continue to increase its volume. As volume increases, so, also, will the savings to its patrons.

THE FEDERATED IN 1948

TERRITORY

The territory served by the Federated includes, primarily, the northwestern part of the State of North Dakota. The operations of this type cooperative are unique in that it serves two territories. On livestock pick-up, it serves approximately a 50-mile radius around Minot, N. Dak. On distribution of farm supplies, its territory is scattered, with the majority of its patrons in the northern and northwestern section of the State. Figure 1 shows the area served for livestock pick-up and location of member associations served in distributing farm supplies.

AGRICULTURAL AND TOPOGRAPHICAL FEATURES

Agricultural features affecting the operation of the association in 1948 are increases in numbers of livestock and in the size of farms. From 1935 to 1945, cattle population increased 75 percent; hogs, 121 percent; and sheep, 19 percent in the 7 counties served by the Federated. Farms are large and scattered. The average size farm in the area served is about 585 acres, which is an average of nearly one farm per square mile (table 3).

As shown in table 2, 51 percent of the farms in the 7 counties served by the Federated are located one-half mile or less from an all-weather road. Twenty-five percent of the farms were 2 miles or more from all-weather roads and only 7 percent were 5 miles. While these distances do not indicate an ideal road system, they do show relatively favorable operating conditions. The majority of the farms in the area are near enough to an all-weather road to assure practically a year-round service on livestock pick-up. The association also has few topographical difficulties because it operates in a level, non-mountainous area.

Table 2. - Distance from farms to nearest all-weather road in specified counties of North Dakota, 1945¹

MILEAGE FROM FARM TO NEAREST ALL-WEATHER ROAD	TOTAL FARMS REPORTING ²	PERCENT OF TOTAL FARMS IN AREA
0.0 to 0.2-----	4,222	37.3
0.3 to 0.5-----	1,539	13.6
0.6 to 0.9-----	365	3.2
1.0 to 1.9-----	2,292	20.3
2.0 to 4.9-----	2,074	18.3
5.0 and over-----	821	7.3
Total-----	11,313	100.0

¹U. S. Census of Agriculture - 1945.

²Includes following counties: Bottineau, McHenry, McLean, Mountrail, Pierce, Renville, and Ward.

Table 3 - Farms, farm size, and marketable livestock on farms in seven counties of North Dakota in 1935 and 1945¹

COUNTY	FARMS - 1945			MARKETABLE LIVESTOCK POPULATION								
	TOTAL	AVERAGE ACRES PER FARM	PER SQUARE MILE	CATTLE AND CALVES		HOGS AND PIGS		SHEEP AND LAMBS				
				1935	1945	1935	1945	1935	1945	Per square mile		
North Dakota					Per square mile			Per square mile				Per square mile
Bottineau-----	1,935	530	1.1	20,327	38,994	24	2,726	6,543	4	14,664	17,658	11
McHenry -----	1,835	613	1.0	35,043	61,952	35	4,164	10,672	6	13,143	13,679	8
McLean-----	2,208	600	1.0	34,364	57,086	28	5,086	12,939	6	15,361	15,562	8
Mountrail-----	1,735	655	0.9	18,368	36,403	21	2,930	5,553	3	7,021	12,077	7
Pierce-----	1,118	595	1.1	19,013	34,069	33	3,022	4,448	4	6,784	6,645	6
Renville-----	936	556	1.0	9,833	16,471	20	1,877	4,229	5	7,764	12,390	15
Ward-----	2,197	547	1.1	30,082	47,958	26	5,120	10,669	6	10,024	11,032	6
Total-----	11,964			167,030	292,933		24,925	55,053		74,761	89,043	

¹U. S. Census of Agriculture

MEMBERSHIP

Any bona fide farmers' cooperative association conforming to the provisions of the Agricultural Marketing Act and the Motor Carrier Act of 1935, as defined in section 1141-J of Title 12 of U. S. Code, is eligible for membership in the Farmers Union Federated Cooperative Shipping Association, Minot, N. Dak. Membership requirements include approval of the application by the board of directors and payment to the association of the par value of one or more shares of preferred stock. Each member is entitled to one vote. Membership is not transferable.

Membership in the Federated at the close of 1948 numbered forty-four. Occasionally some hauling of farm supplies is done for nonmember cooperative associations in the Minot area. The names and addresses of the member organizations are shown in table 4. The location of the member associations are shown in figure 1.

CAPITAL STRUCTURE

The Federated has no common capital stock. It is a membership organization with preferred capital stock. Preferred stockholders have no vote. Qualified cooperative association of producers are admitted to membership in the same general manner as in non-stock associations. The articles of incorporation authorize capital in the amount of \$350,000 divided into 14,000 shares of preferred stock at a par value of \$25 a share. The board of directors sets the rate of "interest dividend" on the share capital, which dividend is payable only from income. The "interest dividend" cannot exceed 6 percent per year and is noncumulative.

MANAGEMENT

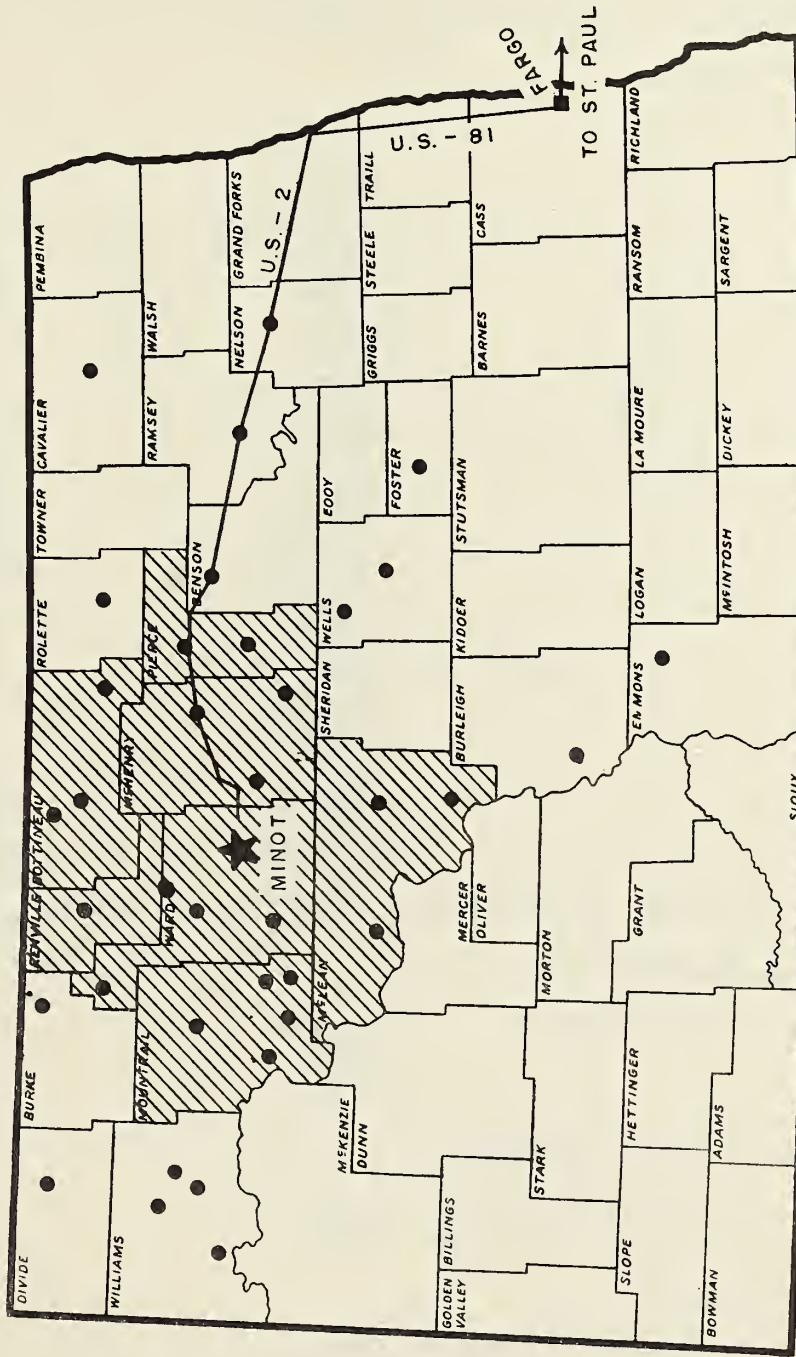
The management of the Federated and the direction of its affairs is vested in a board of five directors. Directors are elected by the members at the annual meeting. The board elects a president from its membership. The compensation of the officers and directors is fixed annually by the members. The board of directors meets quarterly on the call of the president. Duties of the board of directors are to direct the business affairs of the association; to determine where and through whom agricultural products shall be marketed; and to audit the accounts of the officers and manager. Figure 2 shows the organization and management structure of the Federated.

The board of directors engages a manager and other necessary help to conduct the business of the Federated. The compensation of the manager and employees is fixed by the board.

VOLUME OF BUSINESS AND NET SAVINGS

As shown in table 5, the Federated's receipts totaled \$108,223 in 1948, an increase of 17 percent over its 1947 volume. Expenses were \$96,053 and with other deductions and revenue left net savings of \$11,562 or 10.7 percent of the total receipts.

FIGURE 1
LOCATION OF MEMBER ASSOCIATIONS AND AREAS SERVED, 1948



▨ LIVESTOCK PICK-UP AREA

● MEMBER ASSOCIATIONS

★ FARMERS UNION FEDERATED COOPERATIVE SHIPPING ASSOCIATION

028472-1

Table 4 - Member associations of Farmers Union Federated Cooperative Shipping Association, 1948

NAME	COUNTY	LOCATION
<u>Member Organizations</u>		
<u>Local Oil Associations</u>		
Farmers Union Oil Company	Pierce	Balta
" " " "	Ward	Berthold
" " " "	Burleigh	Bismarck
" " " "	Ward	Carpio
" " " "	Foster	Carrington
" " " "	Divide	Crosby
" " " "	Ramsey	Devils Lake
" " " "	McHenry	Drake
" " " "	Wells	Fessenden
" " " "	Burke	Flaxton
" " " "	McLean	Garrison
" " " "	Wells	Harvey
" " " "	Ward	Kenmare
" " " "	Cavalier	Langdon
" " " "	Nelson	Michigan
" " " "	Ward	Minot
" " " "	Renville	Mohall
" " " "	Bottineau	Newburg
" " " "	Mountrail	Parshall
" " " "	Mountrail	Plaza
" " " "	Williams	Ray
" " " "	Rolette	Rolette
" " " "	Pierce	Rugby
" " " "	Ward	Ryder
" " " "	Mountrail	Sanish
" " " "	Mountrail	Stanley
" " " "	Williams	Tioga
" " " "	McHenry	Towner
" " " "	McLean	Turtle Lake
" " " "	Mountrail	Van Hook
" " " "	McHenry	Velva
" " " "	McLean	Washburn
" " " "	Bottineau	Westhope
" " " "	Williams	Williston
" " " "	Bottineau	Willow City
" " " "	Benson	York
<u>Local Elevator Associations</u>		
Farmers Union Elevator Company	Williams	Alamo
" " " "	Emmons	Braddock
" " " "	Wells	Harvey
" " " "	Ward	Minot
<u>Local Livestock Shipping Associations</u>		
Farmers Union Livestock Association of Minot	Ward	Minot
Velva Equity Union Shipping Association	McHenry	Velva
<u>Local Grain Associations</u>		
Farmers Union Grain and Supply Company	Ward	Minot
<u>Miscellaneous</u>		
Farmers Union Central Exchange		St. Paul, Minnesota

Total member organizations - 44

FIGURE 2

ORGANIZATION AND MANAGEMENT STRUCTURE OF
FARMERS UNION FEDERATED COOPERATIVE SHIPPING ASSN.
1948

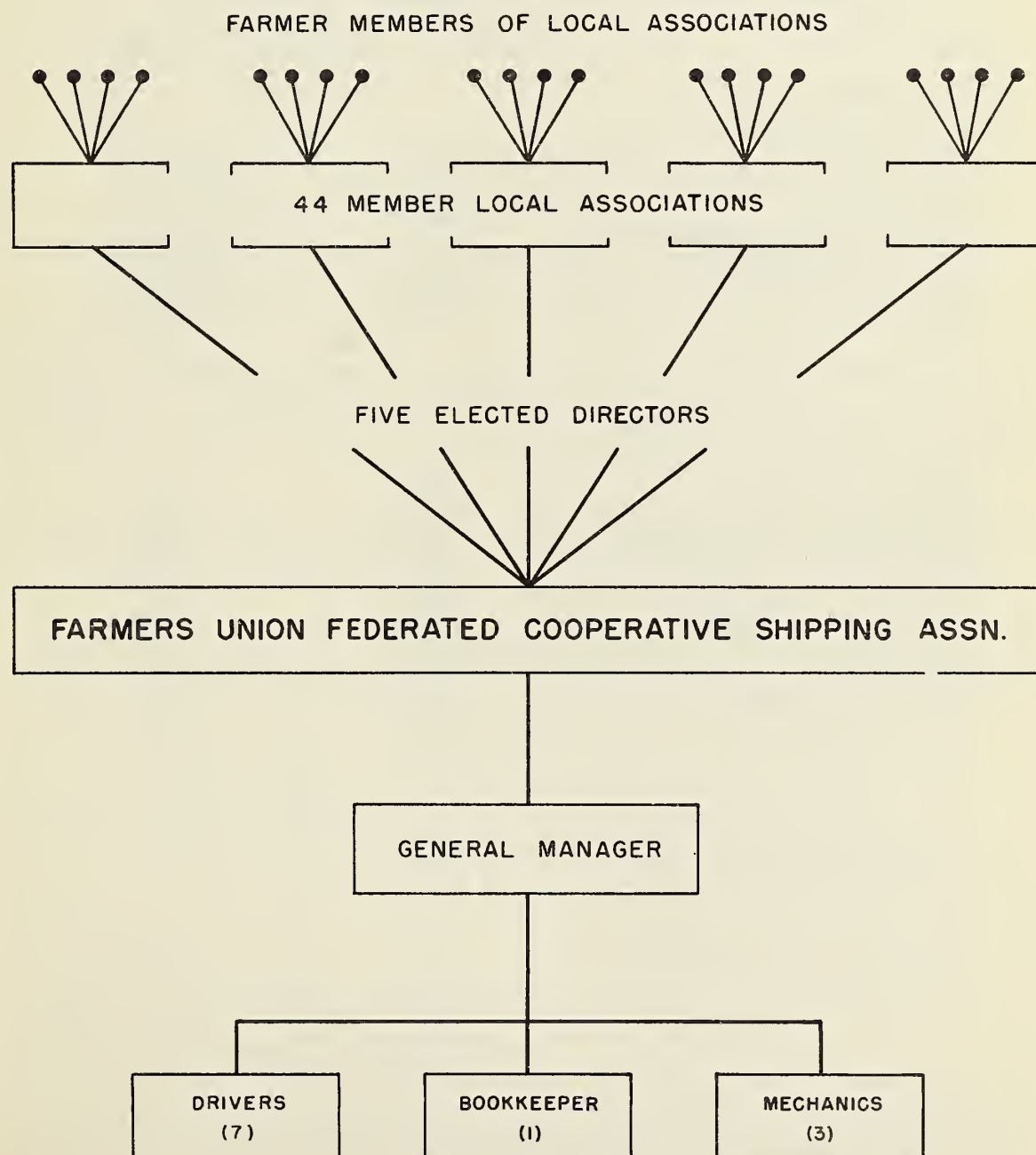


Table 5 - Statement of operations, 1947 and 1948

ITEM	1947 ¹	PERCENT	1948 ²	PERCENT
<u>Receipts for freight and handling:</u>				
Truckloads -----	\$28,214.10	-	\$34,152.39	-
Back hauls and returns -----	42,702.65	-	56,608.79	-
Short hauls -----	3,775.02	-	4,849.50	-
Miscellaneous mileage hauls -----	1,136.24	-	1,729.94	-
Carload (rail) -----	13,432.50	-	10,882.77	-
Gasoline transport -----	3,594.98	-	-	-
Total receipts	92,855.49	100.0	108,223.39	100.0
<u>Operating expenses:</u>				
<u>Direct hauling expenses:</u>				
Salaries and wages -----	27,109.40	-	29,060.50	-
Payroll taxes -----	728.31	-	1,094.73	-
Gasoline -----	18,832.21	-	23,520.31	-
Oil, grease, etc. -----	1,500.75	-	6,116.78	-
Tires, tubes and batteries -----	8,035.32	-	12,872.72	-
Truck repair and supplies -----	11,329.94	-	5,171.00	-
Insurance, licenses and permits -----	4,697.62	-	2,586.06	-
Truck hire and pick-up -----	1,544.26	-	7,658.84	-
Depreciation -----	8,893.66	-	904.70	-
Room rent (drivers) -----	-	-	-	-
Total direct hauling expense -----	82,671.47	89.0	88,985.64	82.2
<u>General and administrative expenses:</u>				
Feed, bedding, etc. -----	535.26	-	1,214.05	-
Supplies -----	227.87	-	-	-
Insurance and bonds -----	369.56	-	153.75	-
Depreciation - office equipment -----	137.70	-	147.56	-
Bookkeeping -----	249.70	-	584.95	-
Director fees and convention expense -----	182.12	-	114.50	-
Auditing -----	150.00	-	328.25	-
Office supplies and postage -----	327.55	-	251.05	-
Telephone and telegraph -----	933.18	-	1,169.84	-
Manager's car expense -----	464.14	-	970.03	-
Advertising -----	176.28	-	88.11	-
Bank charges -----	249.02	-	426.79	-
Heat, light and power -----	163.05	-	-	-
Miscellaneous expense -----	420.57	-	703.50	-
Total general and admin. expenses --	4,586.00	5.0	6,152.38	5.7
Other expenses -----	766.70	.8	914.57	.9
Total expenses of operation -----	88,024.17	94.8	96,052.59	88.8
Net operating savings -----	4,831.32	5.2	12,170.80	11.2
Other revenue -----	1,809.49	2.0	-	-
Total -----	6,640.81	7.2	12,170.80	11.2
Less educational expenses -----	232.70	.3	608.54	.5
Net savings -----	6,408.11	6.9	11,562.26	10.7
Net savings - prior years -----	4,640.69	5.0	6,104.00	5.6
Total net savings -----	11,048.80	11.9	17,666.26	16.3

¹Prepared from auditor's report by Farmers Union Accounting Service, Inc., St. Paul, Minnesota.²Taken from association's profit and loss statement. Audit not completed at this time.

The direct hauling expense amounted to over 80 percent of the total receipts for both years. General and administrative expenses amounted to approximately 5 percent of total receipts. Net operating savings increased from 5.2 percent in 1947 to 11.2 percent in 1948.

DISTRIBUTION OF SAVINGS

The Federated distributes its net savings as provided for in its bylaws which read as follows:

"The undivided surplus shall be credited at the end of each fiscal year to the patrons of the corporation in proportion to the business contributed by each, based on the amount of its business transacted according to the records of the company. This balance shall be credited to the members in accordance with the order of the board of directors made when the patronage dividends are declared payable in capital stock credits or certificates of interest. No patronage dividend shall be paid in cash until after all debts of the association shall have been paid. Such dividends shall be based upon the consideration of the manner in which the income of the association shall accrue and the source from which the same shall be derived."

The net savings for 1947 and the net savings retained from prior years amounted to a sum equal to 12 percent of total receipts. From this was deducted a loss on garage operations with a final 9.8 percent representing the amount due patrons for the year (table 6).

By the end of 1948, accumulated total net savings amounted to 16 percent of total receipts. This represented an increase of 6 percent over the 1947 sum due patrons.

The patronage refunds for both years were credited to the patrons in the form of capital stock certificates. When all debts are paid and a sufficient surplus created, such stock is retired in serial order.

Table 6. - Distribution of net savings, December 31, 1947 and 1948

ITEM	1947	1948
Net savings for year-----	\$6,408.11	\$11,562.26
Savings from prior years-----	4,640.69	6,104.00
Less: Loss on garage operations-----	1,986.59	
Total net savings-----	\$9,062.21	\$17,666.26

FINANCIAL CONDITION

Comparative balance sheets for the years 1947 and 1948 are shown in table 7. Total assets increased from \$71,286 in 1947 to \$290,025 in 1948. This large increase is attributed to the acquisition of a new garage. As a result of the purchase of the garage and equipment, the Federated's fixed assets increased from \$38,369 in 1947 to \$177,688 in 1948. Other items making up its fixed assets include two tractors, two semi-trailers, three pick-up trucks, and an office building.

Total liabilities and net worth amounted to \$290,024 in 1948. Of this amount, current liabilities were \$8,413, non-current liabilities, \$140,286, and net worth, \$141,325. Interest payable represented the largest single item in current liabilities, amounting to \$3,401.

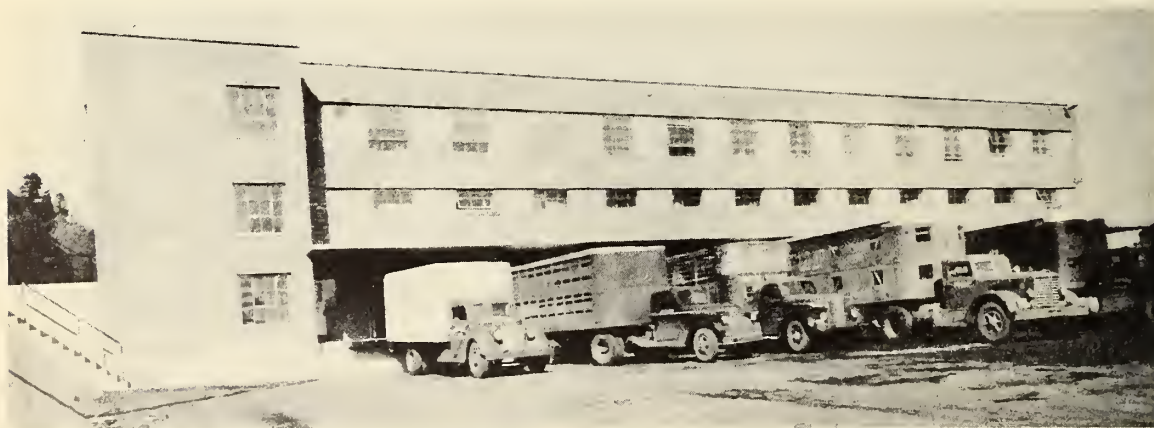
The outstanding capital stock increased from \$44,899 in 1947 to \$141,325 in 1948, and the mortgages payable from \$6,000 in 1947 to \$129,000 in 1948 to provide the necessary funds for the new garage.

The Federated is in good financial condition. The ratio of current assets to current liabilities is 5.9 to 1. The equity of members and patrons in the association amounts to \$62,015 or 21 percent of total assets.

RELATIONSHIP WITH FARMERS UNION

The Federated is affiliated with the Farmers Educational and Cooperative Union, commonly known as the "Farmers Union." As a member, it is entitled to the educational and research services offered by that organization. The Farmers Union is a national association with an organization in each State in which it operates. It has subsidiary county organizations and still smaller subdivisions called "local unions."

The Federated's bylaws provide that 5 percent of its annual net savings be set aside as an educational fund to be used in teaching cooperation.



Side view of Farmers' Union Central Exchange Warehouse, South St. Paul, Minn., showing the loading docks with ample room for large semi-trailer trucks.

Table 7. - Comparative balance sheet, December 31, 1947 and 1948

ITEM	1947 ¹	PERCENT	1948 ²	PERCENT
ASSETS				
<u>Current assets:</u>				
Cash on hand and in banks-----	\$2,704.08	3.8	\$7,301.71	2.5
Advance - truck-----	1,000.00	1.4	1,900.00	.7
Notes receivable-----	334.04	.4	32,670.16	11.3
Accounts receivable-----	7,194.33	10.1	8,423.07	2.9
Merchandise inventory-----	8,827.28	12.4	-	-
Total current assets-----	20,059.73	28.1	50,294.94	17.4
<u>Investments:</u>				
Shares in cooperatives-----	11,116.74	15.6	14,379.75	5.0
New garage-----	-	-	46,000.00	15.8
Total investments-----	11,116.74	15.6	60,379.75	20.8
<u>Fixed assets:</u>				
Real estate, buildings, tractors, and trucks-----	57,864.88	81.2	199,349.29	68.7
Less reserve for depreciation-----	19,495.59	27.3	21,661.30	7.5
Total fixed assets-----	38,369.29	53.9	177,687.99	61.2
<u>Prepaid expense:</u>				
Prepaid insurance-----	1,370.98	1.9	1,361.88	.5
Supplies inventory-----	369.33	.5	300.00	.1
Total prepaid expenses-----	1,740.31	2.4	1,661.88	.6
Total assets-----	71,286.07	100.0	290,024.56	100.0
LIABILITIES AND NET WORTH				
<u>Current liabilities:</u>				
Accounts payable-----	3,531.88	5.0	227.93	.1
Patrons credit balances-----	62.73	.1	-	-
Taxes payable-----	1,734.89	2.4	3,276.00	1.1
Interest payable-----	1,515.00	2.1	3,400.95	1.2
Salaries and commissions payable-----	1,070.27	1.5	900.00	.3
Educational fund due-----	232.70	.3	608.54	.2
Directors fees-----	240.00	.4	-	-
Total current liabilities-----	8,387.47	11.8	8,413.42	2.9
<u>Noncurrent liabilities:</u>				
Mortgages payable-----	6,000.00	8.4	129,000.00	44.5
Notes payable-----	12,000.00	16.8	11,285.75	3.9
Total noncurrent liabilities-----	18,000.00	25.2	140,285.75	48.4
<u>Net worth:</u>				
<u>Capital stock outstanding:</u>				
Preferred-----	44,898.60	63.0	141,325.39	48.7
Total net worth-----	44,898.60	63.0	141,325.39	48.7
Total liabilities and net worth-----	71,286.07	100.0	290,024.56	100.0

¹Prepared from auditor's report by Farmers Union Accounting Services, Inc., St. Paul, Minn.²Taken from association's balance sheet. Audit not completed at the time.

Of the 5 percent so set aside, 40 percent is paid to the Farmers Educational and Cooperative Union of America, North Dakota Division, and 60 percent is distributed to the county organizations whose members have contributed to it, on the basis of their patronage, as certified by the secretary of the Farmers Union Federated Cooperative Shipping Association.

WORKS CLOSELY WITH FARMERS UNION CENTRAL EXCHANGE

The Federated maintains close working relations with the Farmers Union Central Exchange of South St. Paul, Minn., as a source for its back hauls of farm production supplies, machinery, repair parts, and miscellaneous merchandise. The traffic department of the Exchange supplies the Federated with current freight rates and charges for transporting merchandise from its headquarters in South St. Paul to Minot and other points in North Dakota where branch warehouses and affiliated cooperative distributors are located.

The Exchange also prepares the bill of lading showing the items shipped, current rates, consignee, and destination. A copy of the bill of lading is shown in appendix C, form 4. This type of cooperative assistance smooths out the administrative details and aids in simplifying the mechanics of the back haul.

A merchandise distributing warehouse is also maintained by the Exchange at Minot. Here the back haul cargo from South St. Paul is unloaded for redistribution to local member cooperatives. This warehouse is used not only for an assembly and redistribution point, but also makes possible a more readily accessible inventory of farm supplies in that area.

The Exchange employs a warehouseman to keep records of incoming and outgoing shipments. It is also his duty to see that an adequate stock of farm supplies is kept on hand at the warehouse. The Federated's hauling service greatly facilitates coordination between the Central Exchange at South St. Paul and its Minot warehouse.



View of loading dock of Exchange warehouse in Minot, showing co-op. trucks unloading farm supplies.

EQUIPMENT

The rolling stock consists of three pick-up and two semi-trailer trucks. The trucks are owned outright by the Federated. Equipment is rarely leased. During the heavy shipping season, rail transportation is used instead of leasing extra trucking equipment.

Pick-Up Trucks

Three 2-ton trucks are used for hauling livestock from the farm to the assembling point in Minot. The trucks, equipped with stock racks, also are used for distributing farm supplies to the member associations and to haul empty oil drums from the local cooperative to the Minot warehouse.



Pick-up trucks, used for assembling livestock and distributing farm supplies.

Semi-Trailer Trucks

The two semi-trailer units are used in road-haul service. The trailers are of regulation length and width and are well adapted to the type of transportation performed. Such units are commonly referred to as "livestock pullmans." They consist of all-metal top and body with air vents evenly spaced along the sides and front. Each opening is about 2-feet square and is equipped with bars and a sliding door. When livestock is transported the doors are open for ventilation. When farm production supplies and miscellaneous merchandise are transported, the vent doors are closed to prevent damage to cargo by rain and inclement weather. Vents are also closed when hauling livestock during extremely cold weather. This type trailer is considered superior to the conventional "stake type" construction because of the advantage of being readily converted into either a livestock or freight hauling unit. Double-deck equipment is installed for hauling hogs and sheep. Such equipment can be easily removed when hauling animals and freight requiring single-deck facilities.



"Livestock Pullman" carries livestock to the South St. Paul market and hauls farm supplies back to farmer members - as part of a two-way cooperative transportation service.

MODERN GARAGE PURCHASED

To improve the transportation services now being furnished its members and patrons, the association purchased a modern garage at Minot, N. Dak., in June 1948. The cost was \$200,000. It is equipped with the latest type machinery and equipment for keeping in first-class condition the motortrucks now in use. In the expanded program, the Federated plans to repair and service farm motortrucks and farm machinery in the area surrounding Minot. By diversifying its repair activities, it intends to keep its mechanics busy the year around.

With the purchase of the garage, the association secured the agency for the sale and distribution of a nationally known brand of motortrucks in North Dakota and eastern Montana. Sales will be confined to farmers and farmer cooperatives.

RATES CHARGED

On Livestock

The Federated charges two different rates on livestock when both pick-up and assembling services are performed. The first is the pick-up charge and the second is the line haul charge from Minot to South St. Paul. The pick-up charge is 20 cents per mile, prorated regardless of number or weight of livestock hauled. To illustrate; if farmers A, B, and C were located 10, 20, and 30 miles, respectively, from Minot, charges would be assessed as follows: The farthest point, 30 miles at 20 cents per mile, would be \$6. That sum would be prorated among the three . . . \$3 for farmer C, \$2 for farmer B, and \$1 for farmer A.

Table 3. - Livestock - Rail rates in cents per 100 pounds from Minot, N. Dak., to South St. Paul, Minn.

	<u>Cents</u>
Cattle-----	62
Calves, sheep, and hogs (double-decked)---	62
Calves and hogs (single-decked)-----	70
Sheep and goats (single-decked)-----	78

Tariff Authority: M.St.P.&S.Ste M-344-E, I.C.C. 7117
The above rates were in effect on January 11, 1949.

The Federated bases its rates from the assembling point at Minot to the South St. Paul market on the current rail freight rates shown in table 8. To this is added a 5 cent per hundredweight sinking fund charge, plus marketing expenses, and 3 percent Federal transportation tax. The 5 cents per hundredweight sinking fund charge is used as a reserve to pay for loss and injury to livestock while in transit.

The combination of pick-up charge and the rate, all charges included, from Minot to South St. Paul represents the total cost to the farmer for the services performed by the Federated.

On Farm Supplies

Table 9 shows the rates charged for the back haul of farm production supplies and miscellaneous merchandise from South St. Paul to various points in North Dakota. The destinations shown are points at which the Central Exchange maintains distributing warehouses or has affiliated cooperative distributors. The majority of such distributors are local oil cooperatives.

The truckload and less-than-truckload back haul rates from St. Paul are based on the actual rail rates. (See table 9). The applicable rate is dependent on the volume transported as well as the commodity and destination. In addition to the truckload and less-than-truckload rates, a 6,000 and 12,000-pound scale are also provided. All rate scales except truckload are divided into classes. The specific class rate the Federated charges depends on the classification of product carried.

Approximately 85 percent of the back haul tonnage is made up of lubricating oils and greases. As a result, the rail carload and less-than-carload freight rate applicable to lubricating oils and greases has been used as the basis for the truckload and less-than-truckload rates. The 6,000-pound scale is 85 percent and the 12,000-pound scale is 75 percent of the less-than-truckload rate scale. The subdivision of the various rate scales into classes aids in establishing a more equitable basis for the hauling of the various supplies.

Table 9. - Comparative truckload and less-than-truckload rates per 100 pounds on farm production supplies and miscellaneous merchandise from South St. Paul, Minnesota, to various distributing points in North Dakota

DESTINATION	TRUCKLOAD (20,000 LB. MIN. WT.)	RATE PER 100 POUNDS											
		LESS THAN TRUCKLOAD				6,000 LBS. MIN. WT. (85%)				12,000 LBS. MIN. WT. (75%)			
		CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 1	CLASS 2	CLASS 3	CLASS 4	CLASS 1	CLASS 2	CLASS 3	CLASS 4
Berthold-----	\$.80	\$2.68	\$2.28	\$1.87	\$1.46	\$2.28	\$1.94	\$1.60	\$1.25	\$2.00	\$1.72	\$1.40	\$1.10
Devils Lake-----	.64	2.18	1.86	1.52	1.21	1.86	1.58	1.30	1.03	1.64	1.39	1.14	.91
Drake-----	.67	2.46	2.09	1.73	1.36	2.09	1.78	1.46	1.15	1.85	1.57	1.30	1.02
Fessenden-----	.66	2.30	1.96	1.61	1.27	1.96	1.67	1.37	1.08	1.73	1.46	1.21	.96
Garrison-----	.77	2.68	2.28	1.87	1.46	2.28	1.94	1.60	1.25	2.00	1.72	1.40	1.10
Minot Warehouse-----	.77					Truckload rate applies to all companies							
Mohall-----	.82	2.81	2.39	1.97	1.54	2.39	2.03	1.67	1.31	2.11	1.79	1.48	1.15
Plaza-----	.80	2.78	2.36	1.94	1.52	2.36	2.00	1.66	1.30	2.09	1.78	1.46	1.14
Rugby-----	.67	2.44	2.08	1.70	1.34	2.08	1.76	1.45	1.14	1.82	1.56	1.28	1.01
Stanley-----	.82	2.83	2.41	1.99	1.56	2.41	2.05	1.69	1.33	2.12	1.81	1.50	1.18
Towner-----	.70	2.51	2.14	1.75	1.38	2.14	1.81	1.49	1.18	1.88	1.61	1.32	1.03
Velva-----	.73	2.54	2.16	1.79	1.39	2.16	1.84	1.52	1.19	1.91	1.62	1.34	1.04
Williston-----	.91	3.04	2.58	2.14	1.67	2.58	2.20	1.81	1.42	2.28	1.93	1.61	1.25

Classification of Products

Class

Agricultural equipment complete units, K.D.-----	3
Auto and truck accessories and tires-----	3
Batteries and cables-----	4
Electrical appliances-----	2
Implements parts and hardware-----	3
Iron and steel products - list of items below-----	4
Products shipped in drums, barrels, pails, and cans in cases-----	4
Roofing-----	4
Tractors and repair parts-----	4
Empty drums returned-----	3
	1/2 of 4th

Iron and Steel Articles

Bolts and nuts	Nails and staples	Roofing - galv.
Grain bins, K.D.	Plow shares	Wire fencing - woven & barbed
Harrow spikes&teeth	Posts, fence, steel	Wire bale tires

L.T.L. and truckload rates are the actual rail rates, effective as of May 6, 1948; the 6,000-pound scale is 85% of the L.T.L. scale, and the 12,000-pound scale is 75% of the L.T.L. scale.

Source: Traffic Department, Farmers Union Central Exchange, St. Paul, Minn.

The local intrastate rates applicable on supplies distributed from the Minot warehouse are based on competitive truck rates, as shown in the North Dakota Truck and Bus Tariff. Products transported are classified on the same basis as that governing the interstate movement.

The bulk of the tonnage is hauled direct to the Minot warehouse. Distribution of products is made to local cooperatives from this point. As shown in table 9, the 77 cent per 100 pound truckload rate is applied to all shipments from St. Paul to the Minot warehouse. On less-than-truckload or truckload shipments originating at St. Paul and destined for North Dakota points, other than for the Minot warehouse, the rate varies according to distance and weight carried.

When the Federated distributes supplies from the Minot warehouse to the local cooperatives, it charges a local intrastate rate, as shown in table 10, on the shipment. By using a combination truckload rate to Minot and the local rate from Minot to destination, it gives a sizeable transportation saving to the consignee.

Table 10. - Truck rates per 100 pounds on farm production supplies and miscellaneous merchandise from Minot warehouse to points in North Dakota

DESTINATION	MILES	RATES PER 100 POUNDS				
		CLASS				
		1	2	3	4	1/2 of 4th
		Cents				
Berthold-----	22	37	31	26	22	11
Devils Lake-----	122	97	82	65	49	25
Drake-----	51	66	58	44	34	17
Fessenden-----	98	89	75	59	44	22
Garrison-----	46	64	53	39	32	16
Mohall-----	46	64	53	39	32	16
Plaza-----	50	76	65	52	39	20
Rugby-----	65	75	64	49	39	20
Stanley-----	55	71	60	47	37	19
Towner-----	46	59	52	39	31	16
Velva-----	22	37	31	26	22	11
Williston-----	130	98	86	65	52	26

<u>Classification of Products</u>	<u>Class</u>
Agricultural equipment complete units, K. D.-----	3
Auto and truck accessories and tires-----	3
Batteries and cables-----	4
Electrical appliances-----	2
Implements parts and hardware-----	3
Iron and steel products - list of items below-----	4
Products shipped in drums, barrels, pails, and cans in cases-----	4
Roofing-----	4
Tractors and repair parts-----	3
Empty drums returned-----	1/2 of 4th
<u>Iron and Steel Articles</u>	
Bolts and nuts	Nails and staples
Grain bins, K. D.	Plow shares
Harrow spikes & teeth	Posts, fence, steel
	Roofing - galv.
	Wire fencing - woven & barbed

Truck rates are taken from the North Dakota Truck and Bus Tariff - Effective September 5, 1948.

On a less-than-truckload shipment of lubricating oil from St. Paul to Velva, N. Dak., as an illustration, the following rate charged by the Federated shows the savings realized. The less-than-truckload rate on lubricating oil, which is 4th class, from St. Paul to Velva would be \$1.39 per hundredweight. By obtaining the same less-than-truckload shipment through the Minot warehouse at the truckload rate of 77 cents from St. Paul to Minot, plus the local rate of 22 cents from Minot to Velva, the Federated's combination rate is only 99 cents. This is a saving of 40 cents per hundredweight to the consignee.

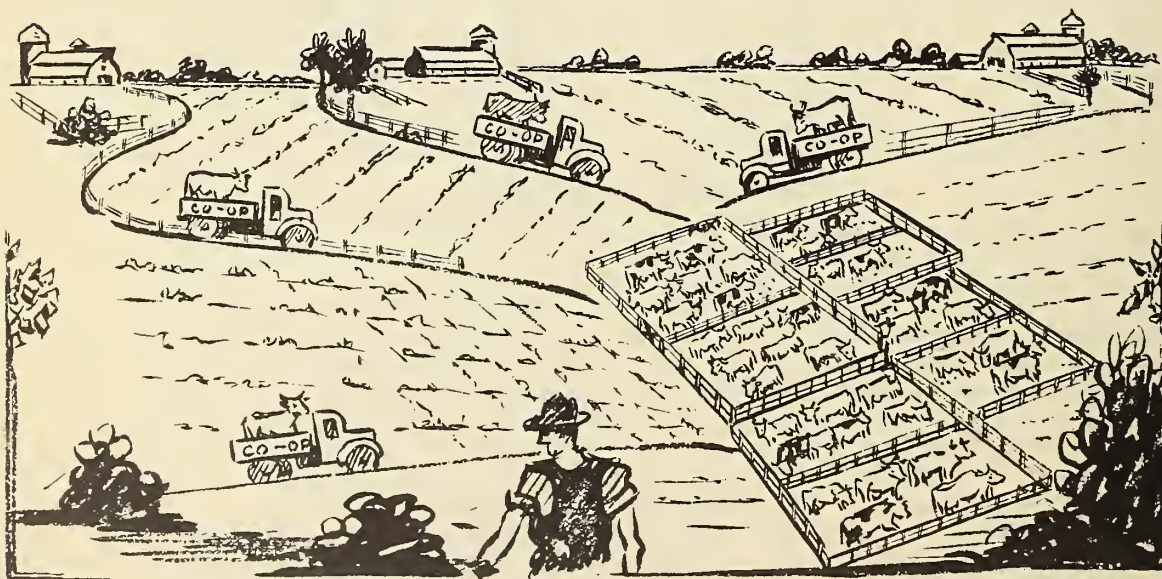
Local cooperatives are seldom able to handle a full truckload of supplies. Prior to the formation of the Federated, needed supplies came by rail in less-than-carload lots to the locals at the high less-than-carload rate. By shipping truckloads to the Minot warehouse and providing small lot distribution to final destination by truck, the Federated has greatly reduced transportation costs.

OPERATIONS

PICK-UP AND ASSEMBLY

The Federated picks up livestock from farms in a 50-mile radius around Minot, which includes Renville, Bottineau, Mountrail, McHenry, Pierce, McLean, and Ward counties (figure 1). The farms in this area are large and scattered, with an average of one farm per square mile (table 3).

The cooperative operates the three pick-up trucks on regularly scheduled routes throughout the seven counties. Farmer members of the local livestock association call the Federated's office in Minot, giving the number of livestock which will be ready for shipment on a certain date.



The Federated notifies the drivers of the pick-up trucks of the livestock to be picked up on their particular routes. Then, the drivers stop at the farm and load the livestock to haul to the assembling point.

Before loading, the driver hair brands each animal for identification. Each farmer has his own identifying mark. The driver enters such marks or brands, together with the number of head, type of livestock, shipper's name, date of receipt, route number, and his own name on the "pick-up receipt." A sample copy of this receipt is shown in appendix D, form 1. The driver makes out each receipt in triplicate, and gives one copy to the farmer, gives one to the Federated, and keeps one himself.

The drivers haul the livestock from the various farms to the stockyards in Minot. There the Federated assembles the livestock into semi-truckload or rail carload lots and ships to South St. Paul. If the farmer has a full carload of stock for shipment the cooperative sends semi-trucks direct to the farm.

RAIL STOCKYARDS USED

Approximately 75 percent of the livestock shipped to market from the Minot and nearby producing area is handled by the Federated. During the heavy shipping season and when no back haul is available, shipments are made by rail. Because the association handles such a large volume of livestock, the railroad finds it advantageous to allow the cooperative the use of its yards as a truckload assembling point.

The stockyards consist of 13 pens which accommodate approximately 20 carloads. Pending the assembling of sufficient livestock to make a truckload or carload, the cooperative feeds and waters the livestock at the stockyards at no expense to the producer. It does no feeding or watering en route to market unless the shipment is delayed by unfavorable weather or a breakdown.

TRIP TO MARKET

Truck Livestock Contract

Before the semi-truck is dispatched to market, the Federated fills out a "Truck Livestock Contract" in triplicate. It sends two copies to the marketing agency, The Farmers Union Livestock Association at South St. Paul, and keeps the other copy. A sample copy of the form is shown in appendix C, form 2.

The contract is a composite of the information contained on the "pick-up receipts." It shows the number and type of livestock hauled, segregated as to owner. The use of such a form greatly facilitates accounting and marketing processes at the South St. Paul market.

Driver Relay Station

The trip between Minot and South St. Paul takes approximately 19 hours. The Federated maintains a relay station at Fargo, N. Dak., which is

midway between Minot and South St. Paul. At this point, drivers are changed for the remaining half of the trip, as relief of drivers is necessary to comply with the "hours of service" provision of the Interstate Commerce Act.

Fargo is also used as a refueling point where the cooperative checks the trucks and gets them ready for the remainder of the trip.

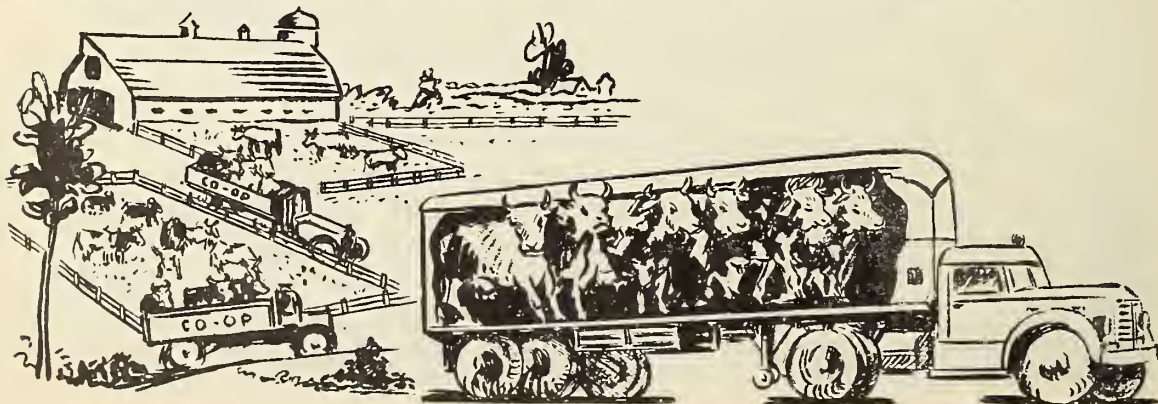
LIVESTOCK MARKETING COOPERATIVELY

All livestock is marketed through the Farmers Union Livestock Association of South St. Paul. This cooperative selling agency has been instrumental in setting up and encouraging the formation of this and other cooperative shipping associations in the North Central area. During 1947, 311 carloads of livestock were marketed through the Farmers Union Livestock Association by the Minot association. This was the largest volume shipped to this cooperative commission organization by any shipping association during the year.

ACCOUNTING SERVICE BY MARKETING AGENCY

When the driver arrives at the South St. Paul market, he furnishes the commission association two copies of the truck livestock contract. The livestock is then unloaded and checked with the information contained on the contract. Pending sale, the commission cooperative feeds and waters the livestock and sorts it into salable lots. After the commission cooperative sells the livestock, it lists livestock by brand and specie on a "master account sales" which is made out in duplicate (appendix C, form 3). The commission association forwards the original copy, showing marketing deductions and proceeds of sale to the Federated. The commission cooperative retains the second copy of the statement.

Upon receipt of the copy of the master account sales and the proceeds, the Federated figures the transportation charges applicable thereto and makes out statements of "individual account sales," in duplicate (appendix C, form 4). The Federated sends the proceeds and the original copy showing amount received from the commission cooperative per animal, less the prorated marketing and transportation expenses, to the individual shipper member of the Farmers Union Livestock Association of Minot. The duplicate copy of the statement is retained by the Federated.



TRUCKS CLEANED AFTER UNLOADING

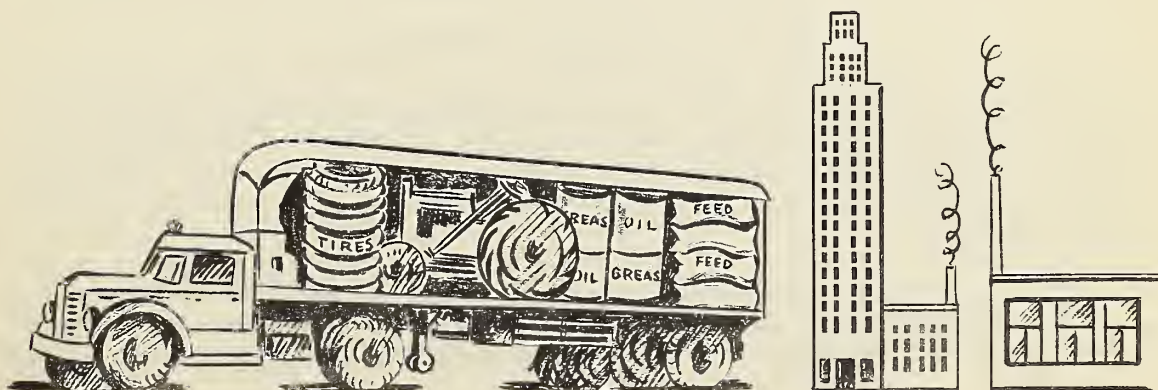
After the livestock is unloaded at the market, the association makes it a practice to have its motortrucks thoroughly cleaned for the return hauling of farm production supplies, machinery, and miscellaneous merchandise. A cleaning rack is available at the stockyard and a fee of 60 cents per truck is assessed for the cleaning service. The association does not transport any groceries or food products on the return trip because transporting this type of merchandise would require cleaning under the supervision of a Federal inspector.

BACK HAUL

The truck, after unloading and cleaning at the market, proceeds to the Farmers Union Central Exchange at South St. Paul. Here, farm supplies are loaded for the back haul to the Exchange branch warehouse in Minot and to affiliated cooperative distributors in North Dakota. Close contact is maintained between the Exchange and the association at all times to aid in coordinating inbound with outbound shipments.

A bill of lading is prepared by the Exchange, in five copies, to cover each shipment (appendix C, form 5). The original copy is retained by the Exchange and two copies, labeled "freight bill," go to the consignee. The fourth copy, labeled "cashier's copy," goes to Federated for accounting purposes. The fifth copy is a delivery receipt for the carrier. The copies are rated and extended by the Exchange and sent out with the driver.

The Central Exchange makes up the loads in advances at its warehouse. As a result, the trucks are loaded and dispatched with a minimum loss of time. The Federated, in conjunction with two other federated cooperative shipping associations, has a man stationed on the loading dock to act as its foreman. As soon as the truck arrives at the loading dock, the driver goes off duty until the truck is loaded. It is the foreman's duty to load and block the freight and to arrange the load in such a manner that unloading operations will be greatly facilitated. It is necessary for the driver to go off duty during the loading period in order to keep within the "hours of service" provision of the Interstate Commerce Act.



It is estimated that the employment of a dock foreman has increased the efficiency of operation 200 percent. He acts as liaison between the Federated and the Exchange coordinating the back haul movements of farm supplies with the inbound movement of farm products.

During the 12-month period, from December 1947 through November 1948, 203 tons of farm supplies were hauled by the Federated from the Exchange to the North Dakota distributing area.

The outbound trip from market follows the same general procedure as that on inbound movements to market. A stop-over for refueling and relief of drivers is made at Fargo, N. Dak. The back haul movement differs from the inbound trip in one respect. Stops in transit are made for partial unloading of supplies at local cooperative associations on or adjacent to the highway traveled. In this way, redistribution from the Minot warehouse to such associations is eliminated.

DISTRIBUTES FARM SUPPLIES

The semi-trucks are unloaded at the Minot warehouse. Here, small lot shipments are prepared for distribution to their final destination, the local cooperative. Distribution is made with small pick-up trucks. The general practice is to take the supplies to the locals when trips are being made to pick up livestock. In this way the coordinated two-way haul program is carried down the line to the pick-up operation.

Large volume shipments of supplies are hauled directly to the local cooperatives by semi-trailer trucks without unloading at the warehouse. This eliminates extra handling required in unloading and loading operation.

A way-bill is made out in triplicate - one copy to the association, one to the Exchange, and one to the consignee. This form is used as a record for all incoming and intermediate point shipments (see appendix C, form 6).

At the time supplies are delivered to the local cooperative, empty oil and grease drums are picked up for transshipment to the Central Exchange in South St. Paul.

OPERATING EFFICIENCY

COST OF MOTORTRUCK OPERATION

No records were kept of miles traveled, gallons of gasoline consumed, miles per gallon of gasoline, average length of trip, or average load carried. Consequently, no accurate cost per ton mile of operation could be secured. The Federated estimated that the cost of operation was 20 cents per mile.

Direct hauling expenses present an accurate accounting of the actual expenditures for motortruck operation. In the absence of figures on cost per ton mile of operation, it was deemed advisable to show a list of such

Table 11. - Direct hauling expenses¹ of truck operation, January 1 to December 31, 1947, and 1948

DIRECT HAULING EXPENSES	1947		1948	
		% of total		% of total
Salaries and wages-----	\$27,109	33	\$29,060	33
Payroll taxes-----	728	1	1,095	1
Gasoline-----	18,832	24	23,520	26
Oil, grease, etc.-----	1,501			
Tires, tubes, and batteries-----	8,035	10	6,117	7
Truck repair and supplies-----	11,330	14	12,873	14
Insurance, license, and permits-----	4,698	5	5,171	6
Truck hire and pick-up-----	1,544	2	2,586	3
Depreciation-----	8,894	11	7,659	9
Room rent (drivers)-----	-	-	905	1
Total-----	82,671	100	88,986	100

¹Covers operation of three pick-up and two semi-trailer trucks.

direct hauling expense items to give some picture of cost of motortruck operation. The years 1947 and 1948 were selected as two normal operating years, for the purpose of analyzing expenses.

As shown in table 11, salaries and wages made up the largest percentage of direct hauling expenditures. This item covers the salaries of the manager, bookkeeper, seven drivers, three mechanics, and one-third of the salary of the dock-foreman at the Central Exchange. The drivers are paid on a mileage basis, plus overtime for time spent in loading and unloading, and during breakdowns in transit.

Gasoline, oil, and grease accounted for the second highest percentage of hauling expenses. At an average of approximately 5 or 6 miles to a gallon of gasoline, fuel expense during a normal operating year amounted to a large percentage of the total hauling expense. Diesel engines are being installed in the large semi-trailer trucks. The Federated hopes the use of this type of cheaper fuel-consuming engine will result in decreased operating costs.

Truck repairs and supplies, as well as tires, tubes, and batteries, were items that required large expenditures to keep the rolling equipment in shape. Major repair and overhaul jobs were performed by commercial garages during the latter part of 1947. The Federated's experience had indicated that it did not pay to maintain a garage and mechanics. The work was seasonal. During the heavy shipping season, breakdowns were the most prevalent. Immediately following the heavy shipping season, overhauls and repairs were needed. At such times, the mechanics were kept busy. However, during off seasons when repairs were not needed, the mechanics would be idle, but in order to retain such men it was necessary

that their salaries continue, whether working or not. This made the unit cost of repair very high and increased the direct hauling expense.

With the purchase of its new garage, the Federated intends to diversify its repair services. By repairing farm motor trucks and farm machinery, in addition to its own equipment, it expects to keep its mechanics and repairmen busy throughout the year. By doing this, in addition to giving added repair service to the trucks, the unit cost of repairs will be greatly reduced.

Depreciation on trucking equipment amounted to approximately 10 percent of direct hauling expense. The Federated charges an annual depreciation of 20 percent on trailers and 25 percent on pick-up trucks and tractors.

While only 5 to 6 percent of direct hauling expense is taken up by "Insurance, License, and Permits," it still presents a sizeable portion of the total.

In addition to obtaining truck licenses for intrastate operation, it is necessary to pay a listing fee for each vehicle to aid in enforcing safety regulations. North Dakota and Minnesota have reciprocal use of State highways by foreign licensed vehicles. As a result, motortrucks operating between Minot and South St. Paul are not required to be registered or licensed in the State of Minnesota.

SERVICES RENDERED

Service is an item that can be only indirectly accounted for in dollars and cents. While the overall operation of the Federated is a service to its farmer members, it does render specific benefits which might be more aptly termed services.

Perhaps the greatest service performed by the Federated is picking up and assembling livestock into carload lots. This operation has resulted in greater savings for the small shipper. Discrimination by truckers, due to size of shipment, has been eliminated. Pick-up charges are no longer exorbitant. They are based on the actual cost of operation.

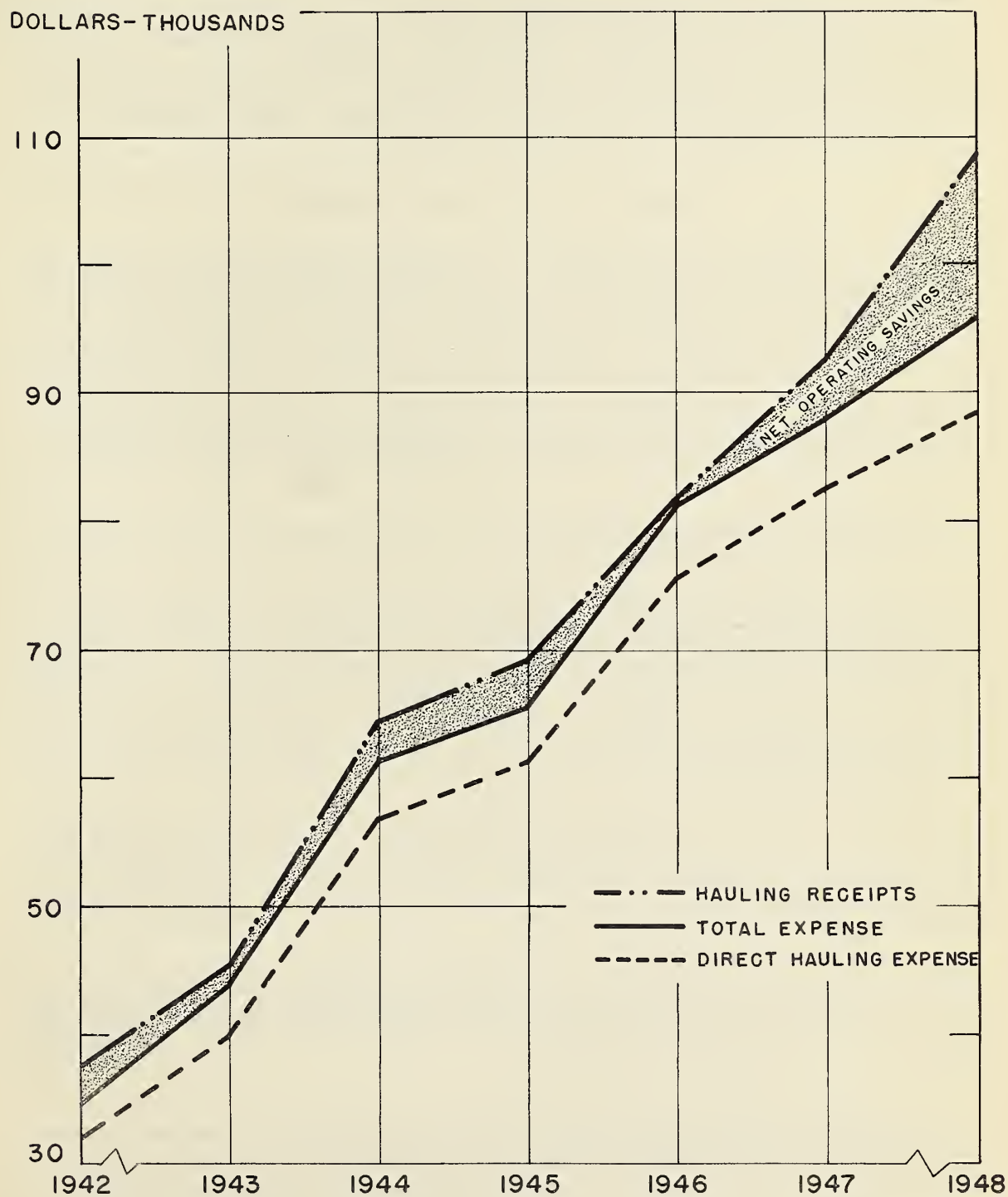
Other services include administrative details formerly handled by the farmer or local association now performed by Federated; coordination of inbound with outbound shipments; reducing time in transit; and providing efficient transportation at a lower cost. These and lesser services combine to form a composite picture of the benefits derived through the operation of this cooperative transportation plan.

ECONOMIES REALIZED

As shown in figure 3, each year of operation since 1942 to date has resulted in a net operating saving. Due to varying expense factors and war conditions, the amount of savings from year to year has varied. It has fluctuated from a low of \$522 in 1946 to a high of \$12,170 in 1948, with an average savings of \$4,287 for the 7-year period. Regardless of

FIGURE 3

HAULING RECEIPTS, EXPENSE AND NET OPERATING SAVINGS OF THE FEDERATED, 1942-48



the saving actually made, the fact that there was a saving, coupled with the services rendered, justifies the continuation of the Federated's activities.

In 1947 and 1948, the Federated made its greatest savings for its patrons. As it increases the back haul volume and it improves facilities, there is every reason to believe these savings will continue. The margin between its expenses and receipts has shown a tendency to widen since 1946. As economies of operation are increased, this margin should become more pronounced.

PRESENT AND FUTURE PROBLEMS

Despite its record of achievement, the Federated does have problems now and will face more in the future. It should be borne in mind that this association was organized and realized its greatest growth during a period of farm prosperity. Not all of its success can be attributed to this factor but it must be given due consideration in making an unbiased analysis of its achievements. Problems might be termed liabilities but their solution is an asset. The fact that the Federated's perspective is broad enough that it realizes its problems augurs well for their ultimate solution.

The following problems are deemed the most pertinent and, consequently, should be considered first.

1. How to maintain financial stability. A decision will have to be made on whether to consolidate its financial position or to increase its investment in fixed assets such as buildings and equipment. If the Federated contemplates expansion, the problem of raising additional capital will have to be met. Method of obtaining needed capital must be decided - by selling additional shares of stock - and the type of stock, or by increasing membership.

The authors believe that additional investments in equipment should be made primarily to meet an increase of business but not in anticipation of an increase. Thus, in case the increase failed to materialize, the association would not be harnessed with an excess of equipment over its actual needs.

Also, the association may wish to consider establishing a reasonable reserve to take care of contingencies which might occur during bad operating years. Such a reserve would tend to cushion the effects of operating losses on its financial structure.

2. Are accounting and performance records adequate? As volume of business expands, more adequate accounting records will have to be kept. The operating forms presently used by the association in its shipping and distribution services should be suitable even if volume does increase.

The problem of keeping adequate motortruck performance records should be given consideration.

This is one of the most important records that a trucking organization could keep. Daily accounting should be made of miles traveled per truck as well as tonnage hauled. Daily operating expenses, such as those for gasoline, oil, truck repairs, and supplies, should be recorded. From these statistics, it will be possible to obtain data relative to miles per gallon of gasoline, average length of hauls (miles), and average load carried in tons. This information, coupled with the amount received for hauling, can then be used to arrive at the cost of operation in cents per ton mile.

An analysis of truck operating cost records presents a readily accessible criterion for determining efficiency of motortruck operation. Suggested forms on which to keep and analyze daily, monthly, and yearly truck operating cost figures are shown in appendix D. Forms 1 and 2 are used for keeping daily records, form 3 for summarizing, and form 4 for analyzing such data.

3. Should area served be expanded? Would the expansion of its service area detract from its operating efficiency? Factors may be encountered which will prevent further expansion.

A determination should be made of the ratio of the area served for livestock pick-up to the available back-haul volume. As back-haul volume increases, the pick-up area could be extended and vice versa. Care should be taken to avoid "biting off more than you can chew," in area served. It is far more practical to serve a smaller area and serve it well than to attempt to serve too large an area in a haphazard manner.

It is also possible that the association may lose its personal, intimate contact with its patrons if it tries to serve too large an area. When such contact is lost, there is a tendency on the part of the patron to regard the cooperative trucking organization as just another carrier; with the resulting loss of loyalty and patronage.

Limiting factors, such as distance, marginal utility, competition, and available equipment, also should be taken into consideration.

4. Is equipment being given maximum use? The problem of having sufficient equipment to handle peak shipping periods and yet not have such equipment idle during off seasons will necessarily be given more consideration.

A determination of the amount of equipment needed should be made. How to acquire such equipment to best meet the type of operation is another problem. There are three principal methods available to trucking cooperatives in securing hauling equipment:

1. Leasing equipment from private owners.

2. Contracting with private truckers for service.
3. Outright ownership of trucks.

The Farmers Union Federated Cooperative Shipping Association of Minot, N. Dak., finds the outright ownership and operation of the equipment to be the most satisfactory. Such a method, however, requires a large initial capital outlay. As a result, such equipment must be kept moving with no long periods of idleness in order to realize a return on the investment.

The question arises, however, as to whether sufficient equipment should be maintained to handle peak shipping periods or the ordinary volume of business. In order to assure maximum use of equipment, it is advisable to have sufficient facilities to handle the ordinary volume of business. If more trucks are needed during the heavy shipping season, such equipment can be leased or contracts made with private operators for hauling. The leasing of equipment is recommended when a back haul is available. When there is an insufficient back haul volume, rail or private truckers should be used.

5. How to establish equitable rates on farm supplies. The Federated is confronted with the problem of establishing compensatory rates on bulky farm supplies such as tractors and heavy farm machinery. The physical make-up of such commodities limits the number that can be loaded on a truck. As a result, the total weight of such a load may be so low that a high rate would be required. This would result in the transportation cost, applicable to each unit hauled, being prohibitive.

Hauling of farm machinery offers a good source for back haul volume. In order to offer its farmer members and patrons additional savings, the Federated should find ways of hauling such commodities at a lower rate. The main problem is one of loading. How to arrange the load in such a way that the number of units hauled may be increased.

A possible solution to the problem might be found in transporting such items "knocked down."³ Such a method would enable more compact loading. The Federated's new garage could be used to reassemble the machinery at Minot before distribution to final destination.

Another possible method would be to arrange the loading so that only one or two pieces of such equipment would be included in a load. This would make it easier to include smaller, less bulky commodities to offset the area displacement taken up by the bulky farm machinery. By staggering the loadings in this manner, the tonnage per load could be increased without affecting efficiency of operation. Revenue per load also would be increased accordingly.

³A transportation term denoting that an article is partially or entirely taken apart (not set up).

6. How would lower prices for farm commodities affect operation? The problem of whether or not savings could be realized when hauling volume is decreased is important to consider.

Up to this time, the association has not experienced a sustained period of low farm prices. A period of low livestock prices would have a tendency to decrease production and would result in a smaller tonnage available for the haul to market. Conversely, with the reduction of the farmers' buying power, the volume of farm supplies for the back haul would decrease.

It is true, however, that during a period of falling prices the percentage of the farmers' dollar consumed by transportation charges becomes larger as commodity prices decline. Consequently, the importance of any transportation savings on the volume hauled becomes greater.

A little conservation might be a wise practice for the organization during such a period. Greater efforts would have to be expended toward decreasing its costs of operation without sacrificing operating efficiency.

7. Will competition increase? During off years, will competition by farmers who own their own trucks and other haulers materially affect the operations of this association?

During a period of low prices, the farm commodity transportation field becomes augmented by a group of local haulers who will haul for a greatly reduced rate in order to have some income. Such carriers do not take into consideration such factors as costs of operation, maintenance, depreciation, or return on investment. Their operations are generally short-lived, but during that period of operation the competing carriers find they lose a considerable volume of business to them. In order to meet such competition, the Federated, in addition to having the advantage of a back haul, has the added advantage of loyal patrons. Such advantages, if fully developed, should result in little loss of business to those carriers.

The farmer-operator will, no doubt, limit his operations to short hauls. The long haul to and from market will not be seriously affected from this source. The farmer would not be able to operate his equipment at a saving over such a long distance.

8. Problem of hauling volume becoming "top-heavy" one way. How to maintain a balance between inbound and outbound movements will become increasingly important. The Federated is experiencing this problem now during the heavy livestock shipping season when the inbound volume far exceeds the back haul.

As stated in problem number 3 of this section, the area served for picking up livestock may be expanded to provide inbound loads when back haul volume increases. However, when inbound shipments of livestock exceed available back haul volume, a way should be found to increase the farm

supply tonnage to provide adequate return loads. In order to do this, it might be advisable to transport a variety of farm supplies instead of concentrating on one or a few types. For instance, in addition to hauling regular farm merchandise and machinery, other farm supplies, such as feed and fertilizer, might be added to increase the volume hauled from market to farm. Another possibility is transporting such farm supplies as coal and building materials (lumber, cement, etc.). The demand for such commodities, particularly coal, is seasonal. During the heavy livestock shipping season in the fall of the year, coal might be a source for increased back haul tonnage. The choice of back haul commodities rests with the transportation association. Such choice is governed by the needs of the area served as well as the availability of supplies.

APPENDIX A

BY-LAWS OF THE FARMERS UNION FEDERATED COOPERATIVE SHIPPING ASSOCIATION

ARTICLE I. NAME AND LOCATION

Section 1. The name of this corporation shall be the FARMERS UNION FEDERATED COOPERATIVE SHIPPING ASSOCIATION.

Section 2. Its principal place of business shall be located at Minot, in Ward County, North Dakota.

Section 3. Other offices for the transaction of the business shall be located at such places as the Board of Directors may from time to time determine.

ARTICLE II. MEMBERSHIP

Section 1. Any cooperative association conforming to the provision of the Farm Credit Administration Act and the Motor Carrier Act of 1935, as defined in section 1141 of Title 12 of the Code of the Laws of the United States of America, may become a member of this association upon application, subject to the approval of the Board of Directors, which application shall be accompanied by the payment to the Association of the par value of one or more shares of stock. Membership in this Association shall be subject to the provisions of these By-Laws and such amendments as may hereafter be legally adopted.

Section 2. Membership in the Association shall not be transferrable.

Section 3. Each member shall be entitled to one vote in the affairs of the Association.

ARTICLE III. MEETINGS

Section 1. The regular annual meeting of the members of the Association shall be held on the first Tuesday in the month of February in each year at the principal place of business of the Association, unless a different place and hour shall be designated by the Board of Directors. If such date falls on a legal holiday, the meeting shall be held on the next succeeding business day.

Section 2. The fiscal year of this corporation shall end on the 31st day of December each year.

Section 3. Special meetings of the members, to be held at the same place as the annual meeting, or at such other place within the State of North Dakota, as may be designated by the Board of Directors, may be

called at any time on vote of a majority of the Board of Directors, or upon application of 51 percent of the members of the Association as provided by law.

Section 4. Notice of meetings, together with a statement of the general purpose thereof, shall be mailed to each member at least ten days prior to the meeting. No business shall be transacted at a special meeting other than that specified in the notice of such special meetings.

Section 5. At every meeting, each member shall be entitled to cast one vote, which vote may be cast in person by a delegate selected by the members or the Board of Directors of a member cooperative, or a mailed vote, but not by proxy. Votes by mail shall be accepted if certified to and signed by the member voting, provided, however, that a notice containing the exact text of the motion or resolution has been mailed to the member at his last known post office address, and that a copy of the same is forwarded with and attached to the vote so mailed by the absent member.

Section 6. A quorum of the members of the Association shall consist of at least 51 percent of the members.

ARTICLE IV. ORDER OF BUSINESS

Section 1. The order of business at the annual meeting of the members shall be as follows:

1. Reading of notice of meeting.
2. Roll call of members.
3. Reading of unapproved minutes.
4. Report of officers and committees.
5. Report of manager.
6. Unfinished business.
7. Election of officers.
8. New business.
9. Adjournment.

ARTICLE V. OFFICERS AND DIRECTORS

Section 1. The management of this Association and the direction of its affairs shall be vested in a board of five directors, who shall be elected by the members of the Association at the annual meeting as provided in the Articles of Incorporation.

The Directors shall hold their offices for a term of three years, commencing with the year 1941, except that at the Annual Election in that year there shall be elected two (2) directors for a term of one (1) year; two (2) directors for a term of two (2) years; and one (1) director for a term of three (3) years, and thereafter at each Annual election there shall be elected only the number of directors necessary to fill the offices of those directors whose terms have expired, or to fill vacancies in the board.

Section 2. Within ten days following the annual meeting, the Board of Directors shall organize by electing from their membership a President, a Vice-President, a Treasurer, and a Secretary (or a Secretary-Treasurer). The offices of Secretary and Treasurer may be held by persons not members of the Board of Directors.

Section 3. The officers having custody of the Association's funds shall be required to furnish bonds in amount and character as required by the Board of Directors.

Section 4. A majority of the Board of Directors shall constitute a quorum.

Section 5. The duties of the officers of this Association shall be those that usually pertain to their respective offices or as may be determined by the Board of Directors. The compensation of the officers and directors, if any, shall be fixed annually by the members.

Section 6. Any vacancy occurring on the Board of Directors may be filled by the remaining members of the Board. The person so selected shall serve until the next regular or special meeting of the members, at which time the successor shall be regularly elected to fill out the unexpired term.

Section 7. The Board of Directors shall meet quarterly on the call of the President, or at any such other times as may be deemed necessary by the President.

Section 8. It shall be the duty of the Board of Directors to direct the business affairs of the Association; determine where and through whom the livestock and products of livestock and other agricultural products shall be marketed; and audit the accounts of the officers and manager.

ARTICLE VI. MANAGEMENT

Section 1. The Board of Directors shall engage a competent manager, and other necessary help to conduct the business of the Association, and shall prescribe the duties and obligations and fix the compensation of such employees. The employees of the Association shall furnish such bonds as the Board of Directors may require, the expense of such bonds to be borne by the Association.

Section 2. The manager shall observe such directions and rules as may be issued or established by the Board of Directors, with respect to the handling of livestock, products of livestock, and other agricultural products, records relating to the same and accounting for the proceeds of sales thereof, and with respect to any other matter upon which directions or rules may be issued or established by the Board of Directors, and he shall comply with the applicable provisions of these By-Laws in respect to all matters.

Section 3. The manager may concentrate shipments of livestock and make shipments by rail, when, because of weather conditions or for any other reason, it would be more economical or advisable to do so.

ARTICLE VII. EARNINGS AND DIVIDENDS

Section 1. Income. From the gross income of the corporation for each year shall be paid the expenses of operating the business of the corporation for such year. The directors shall also set aside, annually, reasonable reserves to cover depreciation of physical properties, possible bad accounts, and losses. After provision shall have been made for such reserves required or permitted as above provided, the Directors shall set the rate of interest dividend on the share capital, which dividend shall be payable only from income. The interest dividend shall not exceed 6% per annum and shall not be cumulative. The Directors shall also set aside a sum equal to 5% of the annual net earnings of the corporation as an educational fund to be used in teaching cooperation. Of the said 5% so set aside, 40% of it shall be paid to the Farmers Educational and Cooperative Union of America, North Dakota Division, and 60% is to be distributed to the county organizations whose members have contributed to the same, on the basis of their patronage as certified by the Secretary of this company. The balance of the net income for any fiscal year shall be considered and termed as "undivided surplus" available for distribution to members and patrons on the basis of patronage, and may be distributed by stock credits or certificates of interest.

Section 2. Patronage dividends or certificates of interest. The undivided surplus shall be credited at the end of each fiscal year to the patrons of the corporation in proportion to the business contributed by each, based on the amount of its business transacted according to the records of the company. This balance shall be credited to the members in accordance with the order of the Board of Directors made when the patronage dividends are declared payable in capital stock credits or certificates of interest. No patronage dividend shall be paid in cash until after all debts of the association shall have been paid. Such dividends shall be based upon the consideration of the manner in which the income of the Association shall accrue and the source from which the same shall be derived.

ARTICLE VIII. AMENDMENT

Section 1. These By-Laws may be amended at any regular or special meeting of the members, due notice having been given to all members of record of the proposed amendments and of the time and place of the meeting at which such amendments will be considered and voted upon.

ARTICLES OF INCORPORATION
OF
FARMERS UNION FEDERATED COOPERATIVE SHIPPING ASSOCIATION

Minot, North Dakota

KNOW ALL MEN BY THESE PRESENTS, That we, the undersigned have this day voluntarily associated ourselves together for the purpose of forming a cooperative marketing association under the laws of the State of North Dakota, and for that purpose we do hereby adopt and subscribe the following Articles of Incorporation:

ARTICLE I.

The name of this association shall be Farmers Union Federated Cooperative Shipping Association of Minot, N. Dak.

ARTICLE II.

The purposes for which this association is formed are to promote, foster, and encourage the intelligent and orderly marketing of agricultural products through cooperation and to eliminate speculation and waste; and to make the distribution of agricultural products as direct as can be efficiently done between producer and consumer; and to stabilize the marketing of agricultural products. This association is not organized for profit.

The general nature of the business to be carried on by this association shall be to market, transport, and handle livestock and farm products, to obtain the best prices for the individual producers thereof, and to transport and distribute farm supplies through farmer cooperative associations so that such equipment and supplies may be available to farmers at the lowest possible cost. The association shall have authority to grade and market agricultural products on a basis to secure the largest return for members and patrons.

The association also may transport for its members and patrons agricultural machinery, coal, lumber, feed, including commercial feed, twine, and other merchandise as is generally used by farmers, such commodities to be transported for members and patrons on the basis of necessary operating expenses.

The association shall not transport the agricultural products of nonmembers to an amount greater in value than such as are transported by it for members, nor shall it transport merchandise for nonmembers in an amount greater in value than such as are transported by it for members and the amount of merchandise transported for those who are neither members of the association nor associations of agricultural producers shall not exceed fifteen percent of the value of all of the farm supplies

transported. The association shall have all power now vested or which hereafter may be vested in cooperative marketing associations by the laws of the State of North Dakota.

For the purpose of properly carrying on and conducting any of the aforesaid lines of business, this association may acquire, buy, own, possess, lease, sell, and operate stockyards, trucks, and all property, real and personal, required in connection with the operation thereof, and may likewise acquire, own, and sell the capital stock of other associations of a similar character; and may do and perform all acts that may be necessary to properly carry out the purposes of this association. The association shall have power to borrow money and to execute notes, mortgages, or bonds and may pledge its assets to secure the payment thereof.

ARTICLE III.

The principal place of business and post office address of the association shall be at Minot, Ward County, North Dakota. The period of duration of this corporation shall be twenty years from the time of filing these articles.

ARTICLE IV, AMENDED

This association shall have no common capital stock. It shall have preferred capital stock which stock shall be issued to provide the necessary capital for carrying out the purposes for which this corporation is organized. The amount of the authorized share capital shall be three hundred and fifty thousand dollars (\$350,000) and shall be divided into 14,000 shares of preferred stock of the par value of twenty-five dollars (\$25.00) each. The property rights and interest of the members shall be unequal and shall be determined and fixed by the retirement of all outstanding preferred stock at the par value and the amount remaining shall belong to the members in the proportion that the patronage of each member shall bear to the total patronage of all members of the association during each year and the records of the association shall show the amount of such members credit for contributions to capital through patronage. New members shall be entitled to share in the property of the association with the old members in accordance with the aforesaid general rule.

Any association, conforming to the provisions of the Farm Credit Administration Act and/or the Motor Carrier Act of 1935 as defined in Section 1141 J of Title 12 of the Code of the Laws of the United States of America, may become a member of this association upon application, subject to the approval of the Board of Directors, which application shall be accompanied by the payment to the Association of the par value of one share of preferred stock. Membership in this Association shall be subject to the provisions of the by-laws and such amendments as may hereafter be legally adopted.

Membership in the Association shall not be transferrable.

ARTICLE V.

The number of directors of this association shall be not less than five or more than eleven and shall serve for a term of one year. The names and residences of those who are to serve until their successors are elected and qualify are as follows:

<u>Name</u>	<u>Residence</u>
_____	_____
_____	_____
_____	_____

APPENDIX B

INTERSTATE COMMERCE COMMISSION VS. THE JAMESTOWN FARMERS
UNION FEDERATED COOPERATIVE TRANSPORTATION ASSOCIATION

The Circuit Court of Appeals for the 8th Circuit, in affirming the judgment of the District Court in ICC vs. the Jamestown Farmers Union Federated Cooperative Transportation Association, 57 Fed. Supp. 749, said in part 151 Fed. 2nd 403:

"A cooperative association is defined (12 U.S.C.A., Sec. 1141j) as any association in which farmers act together in processing, preparing for market, handling, and marketing the farm products of persons so engaged; and any association in which farmers act together in purchasing, testing, grading, processing, distributing, and furnishing farm supplies or farm business services. A cooperative association as defined must be operated for the mutual benefit of its members as producers or purchasers, and 'shall not deal in farm products, farm supplies, and farm business services with or for nonmembers in an amount greater in value than the total amount of such business transacted by it with or for members.'

"That the economical and efficient transportation of farm products to market and of farm supplies to farmers is a necessary farm business service cannot be doubted. To require that such transportation must originate or end in every case at a farm is to deny to the farmer one of the farm services which the Agricultural Marketing Act was intended to make available to him through the operation of farmer cooperatives. Nothing in the Act either expressly or by implication justifies a holding that the farmer cooperatives may not transport to market farm products which its member farmers have transported and delivered to the cooperative; nor that the trucks of the cooperatives used in such transportation may not on return trips transport farm supplies for delivery to the cooperatives for resale. And, since a cooperative association is

expressly permitted by the Agricultural Marketing Act to transport farm supplies and to render farm service to or for others than its members, the fact that some of the farm supplies carried in its westbound traffic may be sold to others than farmers is of no significance, so long as the proportion of such sales and services is not greater than that permitted by the Act. If, as we hold, a single farm cooperative association may engage in the transportation of farm products from itself to market and of farm supplies and merchandise from the market to itself for resale, it cannot be doubted that a federation of such associations may engage in the same transportation. In so doing, it is exercising no greater power than any of its member cooperatives may exercise. It is reasonable to suppose that the reason for the organization of a federation of cooperatives to perform the character of transportation under consideration is that the federation of many cooperatives is able to perform this authorized farm business service more efficiently and economically than could its individual member associations. To the extent that the federation is able to realize the purpose for which it is organized, it is an effective instrumentality in the promotion of the purposes which the Agricultural Marketing Act was designed to realize. To say that such a federation of farmer-owned and farmer-controlled cooperative associations is not itself a farmer-owned and farmer-controlled instrumentality is to give to the Agricultural Marketing Act a narrow and strict construction which its character and purpose forbids."

APPENDIX C

OPERATING FORMS USED BY THE FARMERS UNION FEDERATED COOPERATIVE
SHIPPING ASSOCIATION OF MINOT, NORTH DAKOTA

Farmers Union Fed. Co-op. Shipping Association

Phone 1299

Andrew Bakken, Jr., Mgr.

Minot, North Dakota

P. O. _____ Date _____ 194 _____

Received
from _____

Route _____

	NO.	WEIGHT	MARK		NO.	WEIGHT	MARK
COWS - -				SHEEP - -			
HEIFERS - -				PIGS - -			
STEERS - -				HOGS - -			
VEALS - -				BOARS - -			
BULLS - -							

By _____

IF CHANGES ARE MADE, BE SURE THAT ALL COPIES ARE CORRECTED.

*THIS IS YOUR AUTHORITY TO GIVE TRUCKER COMPLETE COPY OF MY ACCOUNT OF SALE.

TRUCK LIVESTOCK CONTRACT

(MUST BE FILLED OUT BEFORE LIVESTOCK CAN BE UNLOADED)

TO BE SOLD BY _____ (CONSIGNEE)

NAME OF FIRM WHO WILL SELL LIVESTOCK LISTED BELOW

SOUTH ST. PAUL STOCKYARDS

SOUTH ST. PAUL, MINN.

DATE _____ 194 _____

TRUCKER _____

STATE _____

PERMIT NO. _____

ADDRESS _____

WRITE PLAINLY—RETURNS WILL BE MADE ON BASIS OF THIS INFORMATION

TRUCKER'S COUNT					STOCKYARDS COMPANY RECORD					
Cattle	Calves	Hogs	Sheep	DATE REC'D						
				TIME RECEIVED						
HAULING RATE	C	Cfs.	H	S	INSURANCE	C	Cfs.	H	S	WHO PAYS?
Per Cwt.					Hartford					Trucker
Per Head					Home					Owner
					State Auto					

LIST OF OWNERS		KIND	NO.	BRAND	OTHER MARKS & DESCRIPTIONS
OWNER _____		CATTLE			
ADDRESS _____		CALVES			
*OWNER'S SIGNATURE SEE ABOVE		HOGS			
		SHEEP			

FARMERS UNION

LIVESTOCK ASSOCIATION



SO. ST. PAUL, MINN.

19

SO. ST. PAUL, MINN.

CHICAGO, ILL.

WEST FARGO, NO. DAK.

BELLINGS, MONT.

BE SURE TO NAME
FARMERS UNION
AS YOUR SELLING AGENCY

[illegible]

*—"FARMERS UNION A/C OF "INDICATES THAT THE LIVESTOCK WAS BOUGHT ON ORDER FOR THE PERSON NAMED. "FARMERS UNION" INDICATES THAT THE LIVESTOCK WAS BOUGHT BY FARMERS UNION AS A DEALER.

**—AS A COOPERATIVE, THE FARMERS UNION LIVESTOCK ASSOCIATION, ACCORDING TO ITS ARTICLES OF INCORPORATION AND BY-LAWS, ALLOCATES TO ITS PATRONS THE BALANCE OF THE "COMMISSION" AFTER ALL OPERATING EXPENSES ARE PAID.

STATEMENT

**FARMERS UNION LIVE STOCK ASSOCIATION
MINOT, NORTH DAKOTA**

Sold By Farmers Union Livestock Commission
South St. Paul, Minn.

....., 194.....

M.....

Brand.....

[illegible]

TOTAL

EXP. PER CWT.

TOTAL.....

BRAND INSPEC.....

PICKUP CHGS.....

MEMBERSHIP

NET

Please Write Us For Explanation of Anything Not Understood.

F. U. COOP. MOTOR CARRIER STRAIGHT BILL OF LADING
ORIGINAL—Not Negotiable—Domestic

Agent's No.

Shipper's No.

RECEIVED, subject to the classifications and tariffs in effect on the date of the issue of this Bill of Lading.

At St. Paul, Minn.,

194

FROM FARMERS UNION CENTRAL EXCHANGE, INC.

the property described below, in apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned and destined as indicated below, which said company (the word company being understood throughout this contract as meaning any person or corporation in possession of the property under the contract) agree to carry to its usual place of delivery at said destination, if on its own road or its own water line, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed, as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time interested in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions not prohibited by law, whether printed or written, herein contained, including the conditions on back hereof, which are hereby agreed to by the shipper and accepted for himself and his assigns.
(Mail or street address of consignee—For purposes of notification only.)

Subject to Section 7 of conditions, if this shipment is to be delivered to the consignee without recourse on the consignor, the consignor shall sign the following statement:

The carrier shall not make delivery of this shipment without payment of freight and all other lawful charges

(Signature of consignor.)

If charges are to be prepaid, write or stamp here, "To be Prepaid."

Received \$ _____
to apply in prepayment of the charges on the property described hereon.
Agent or Cashier _____

For _____
(The signature here acknowledges only the amount prepaid.)

Charges advanced: \$ _____

CONSIGNEE TO

DESTINATION

ROUTING

VEHICLE NO.

No. Packages	DESCRIPTION OF ARTICLES, SPECIAL MARKS, AND EXCEPTIONS	WEIGHT (Sub. to Car.)	Class or Rate	Frt. Charges

*If the shipment moves between two ports by a carrier by water, the law requires that the bill of lading shall state whether it is "carrier's or shipper's weight."
NOTE—Where the rate is dependent on value, shippers are required to state specifically in writing the agreed or declared value of the property.

The agreed or declared value of the property is hereby specifically stated by the shipper to be not exceeding _____ per _____

FARMERS UNION CENTRAL EXCHANGE, INC., Shipper, Per _____
Permanent post-office address of shipper: ST. PAUL, MINN.

Agent

Per

4921

Nº 4211

Farmers Union Federated Co-op Shipping Assn.

Minot, North Dakota, _____ 194 _____

Consigned to _____ Address _____

C.O.D. ☐ Prepaid ☐ Collect ☐ Charge ☐

This form of way-bill to be used on all in-coming and intermediate point shipments only.

NO. PKGS.	DESCRIPTION	WEIGHT	RATE	AMOUNT

SHIPPER _____

DRIVER _____

ADDRESS _____

Any claim for damage or shortage must be made to driver at time of delivery.

TRIPLICATE

CONSIGNEE SIGN HERE

Received in apparent good condition

APPENDIX D

FORM 1. DAILY TRUCK OPERATING COST RECORD

Association _____ Address _____
Week of _____ Report No. _____

DAY	GASOLINE		OIL		ALL OTHER TRUCK EXPENSES*		TOTAL EXPENSES
	GALLONS	AMOUNT	QUARTS	AMOUNT	EXPLANATION	AMOUNT	
Sunday-----							
Monday-----							
Tuesday-----							
Wednesday-----							
Thursday-----							
Friday-----							
Saturday-----							
Total-----							

*Include tires, batteries, accessories, repairs, labor charges, etc.

FORM 2 DAILY REPORT OF OPERATIONS

Association _____ Address _____
Date _____ 19__ Report No. _____

RECORD OF PROPERTY CARRIED					COLLECTION OF CHARGES	
FREIGHT BILL NO.	FROM	TO	MILES DRIVEN	WEIGHT	FREIGHT CHARGES	DATE
Total-----	-----	-----				-----

Association _____ Address _____
 For year ending _____, 19 _____

Number of trucks _____
 (Indicate whether semi or straight trucks)

SUMMARY OF TRUCK OPERATING RECORDS

19____ MONTH	MILES DRIVEN		TOTAL	REVENUE FREIGHT CARRIED (POUNDS)			TOTAL	TOTAL FREIGHT RETURNS (DOLLARS)
	TO MARKET	FROM MARKET		TO MARKET	FROM MARKET	SHORT HAULS		
January-----								
February-----								
March-----								
April-----								
May-----								
June-----								
July-----								
August-----								
September-----								
October-----								
November-----								
December-----								
Total-----								

¹Include pick-up and delivery.

SUMMARY OF TRUCK OPERATING COSTS

19____ MONTH	GASOLINE		OIL AND GREASE	DRIVERS WAGES	REPAIRS AND SERVICE	TIRES, TUBES, AND BATTERIES	MISCEL- LANEOUS	TOTAL
	GALLONS	AMOUNT						
January-----								
February-----								
March-----								
April-----								
May-----								
June-----								
July-----								
August-----								
September-----								
October-----								
November-----								
December-----								
Total-----								

Amount

Add: Depreciation for the year-----
 Insurance, licenses, and permits-----
 Costs of drivers for the year (social security, payroll, taxes, etc.)-----
 Total truck operating costs-----

FORM 4

ANALYSIS OF TRUCK OPERATING COSTS AND RECORDS

Association_____

For Year Ending_____ 19____

TRUCKING STATISTICS

Outbound tonnage.....	---
Inbound tonnage.....	---
Total tonnage.....	---
Miles traveled.....	---
Gallons gasoline consumed.....	---
Average length of trip (miles).....	---
Average load carried in tons.....	---

OPERATING COSTS AND RETURNS

	<u>TONS</u>	<u>PER TON</u>	<u>CENTS PER MILE</u>
<u>Returns:</u>			
Freight.....	---	\$---	---
Other operating.....	---	---	---
Total returns.....	---	\$---	---
<u>Less costs:</u>			
Direct operating:			
Drivers wages.....		\$---	---
Gasoline.....		---	---
Oil and grease.....		---	---
Repairs and service.....		---	---
Tires, tubes and batteries.....		---	---
Insurance, licenses and permits.....		---	---
Depreciation.....		---	---
Miscellaneous.....		---	---
Total direct operating costs.....		\$---	---
<u>Administrative and other:</u>			
Salaries and expense.....		\$---	---
Terminal and office.....		---	---
Miscellaneous.....		---	---
Total administrative and other costs.....		\$---	---
TOTAL COSTS.....		\$---	---
NET OPERATING RETURNS.....		\$---	---

